

# EcoSphere

## EXPLORING INDIAN AND GLOBAL ECONOMIES WITH InsPIRE

NOVEMBER 2024

*Volume 1, Issue 9*



**Institute for Pioneering Insightful Research Pvt. Ltd. (InsPIRE)**

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## EcoSphere

### *Exploring Indian and Global Economies with InsPIRE*

November 2024, Volume 1, Issue 9

*EcoSphere is a monthly review providing insights into the Indian and Global economies, financial markets, and a digest of academic and policy research papers and articles. Designed to share information and ideas with professionals, researchers, and students, it is not intended as financial or investment advice. EcoSphere is compiled based on best efforts, utilizing information from diverse published sources. InsPIRE does not ensure the completeness or accuracy of this publication, nor does it guarantee the precision of future conditions based on its use.*

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## **Chairman's Reflections**

### ***Climate Finance, Economic Resilience, and Global Volatility***

The month of November 2024 has brought significant global developments, ranging from climate diplomacy to economic trends. At COP 29 in Baku, Azerbaijan, the adoption of a New Collective Quantified Goal (NCQG) for climate finance was a critical yet contentious milestone. The pledged \$300 billion annual support by developed nations for developing countries by 2035 falls dramatically short of the \$1.3 trillion required to meet climate goals. Reliance on loans and private capital has raised concerns about deepening debt burdens in the Global South, hindering climate action.

Simultaneously, the Rio de Janeiro G20 Declaration reiterated ambitious targets, such as tripling renewable energy capacity and doubling energy efficiency. However, the lack of clear financial frameworks and actionable strategies underscores a persistent gap between aspiration and implementation in climate leadership.

Economically, the *UNCTAD Trade and Development Report 2024* highlighted the challenges facing the Global South amidst stagnating global growth of 2.7% and rising debt burdens. The disparity in fiscal capacity continues to obstruct progress towards the Sustainable Development Goals, particularly in least-developed countries.

Domestically, India's Q2 FY 2024-25 GDP growth of 5.4%, a seven-quarter low, highlights the country's inherent resilience alongside the constraints posed by a complex economic landscape. However, inflationary pressures remain a concern, with October 2024's Consumer Price Index (CPI) inflation at 6.21%, breaching the RBI's upper tolerance limit for the second consecutive month. Food inflation surged to 10.87%, driven by skyrocketing vegetable prices and pressures in the oils and fats segment, further complicating the economic outlook. The agriculture sector offers optimism with projections of record foodgrain output, though translating this growth into tangible farmer incomes remains a critical priority.

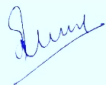
Globally, stock markets presented a mixed picture: the US indices soared on strong earnings and investor confidence, while Indian markets saw heightened volatility

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amid geopolitical and macroeconomic uncertainties. Meanwhile, inflation rates varied across key economies, signalling continued economic adjustments worldwide.

November also marked the passing of Dr Bibek Debroy, a scholar and policymaker who profoundly shaped India's intellectual and economic discourse. His legacy serves as a beacon for transformative thinking in policymaking.

As we move forward, the pressing need for cohesive action on climate finance, economic equity, and sustainable growth remains clear. The lessons of this month reinforce the urgency of aligning global ambitions with actionable frameworks to address our shared challenges.



Debesh Roy

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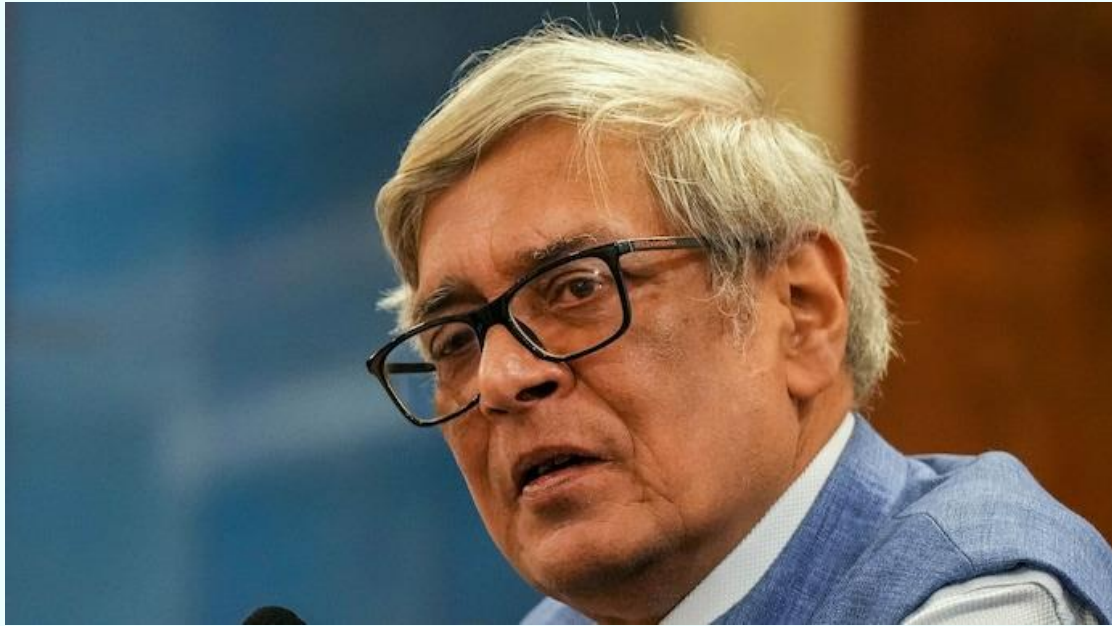
## SECTION 1

# INDIAN ECONOMY

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## A TOWERING SCHOLAR: THE ENDURING LEGACY OF DR BIBEK DEBROY



The passing of Dr Bibek Debroy on November 1, 2024, marked the loss of an extraordinary scholar and policymaker whose influence spanned economics, culture, and literature. A polymath in the truest sense, Dr Debroy's contributions transformed India's intellectual and policy landscape, leaving an enduring legacy.

Dr Debroy, Chairman of the Economic Advisory Council to the Prime Minister (EAC-PM) since 2017, was instrumental in shaping the Modi government's socio-economic strategies. His work addressed critical issues such as taxation reforms, statistical modernization, and decentralization. He also guided policymakers during challenging periods like the COVID-19 pandemic, ensuring focus on sustainable economic recovery.

Beyond economics, Dr Debroy was a prolific writer who made India's ancient Sanskrit heritage accessible to modern readers. His unabridged translations of the *Mahabharata*, *Ramayana*, and Puranas revealed his deep engagement with India's cultural roots. This passion for literature and spirituality coexisted seamlessly with his advocacy for free markets and economic liberalization.

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Prime Minister Narendra Modi described him as “a towering scholar” whose insights shaped India’s progress, while Finance Minister Nirmala Sitharaman highlighted his unfinished yet monumental contributions to policy and culture.

Even in his final days, Dr Debroy’s reflective writings, including a poignant self-obituary, demonstrated his intellectual depth and acceptance of life’s impermanence. His versatility, from policymaking to translating epics and crafting limericks, remains unparalleled.

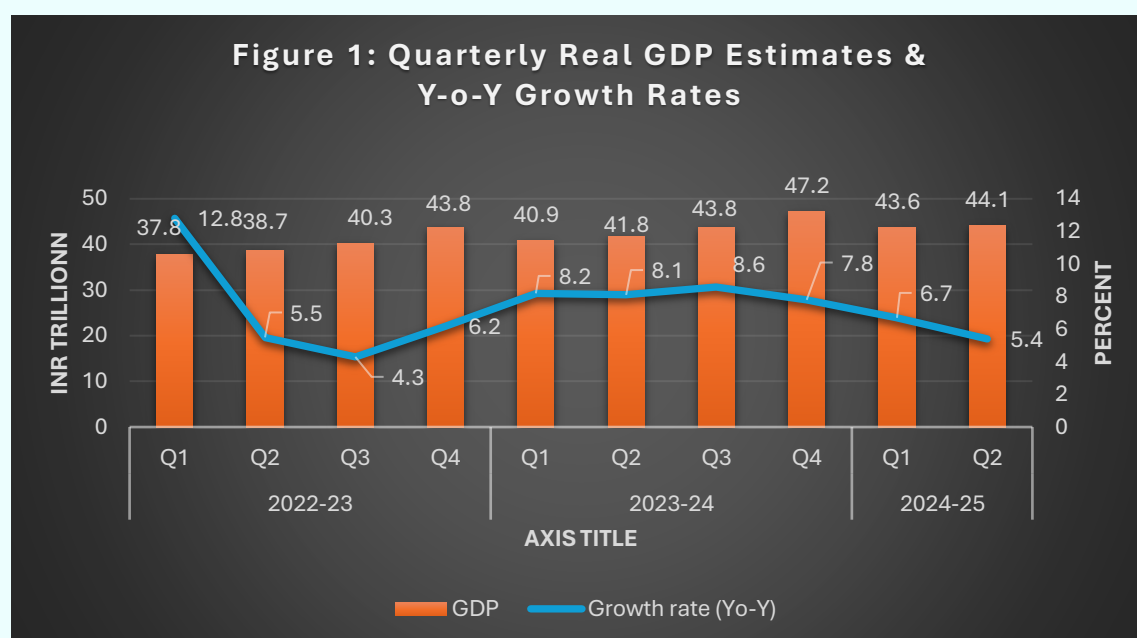
As we honour Dr Debroy’s memory, we celebrate a life dedicated to knowledge, integrity, and a vision of a more inclusive and culturally enriched India. His legacy will continue to inspire future generations to bridge tradition with modernity and intellect with action.

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## NAVIGATING MACROECONOMIC TRENDS

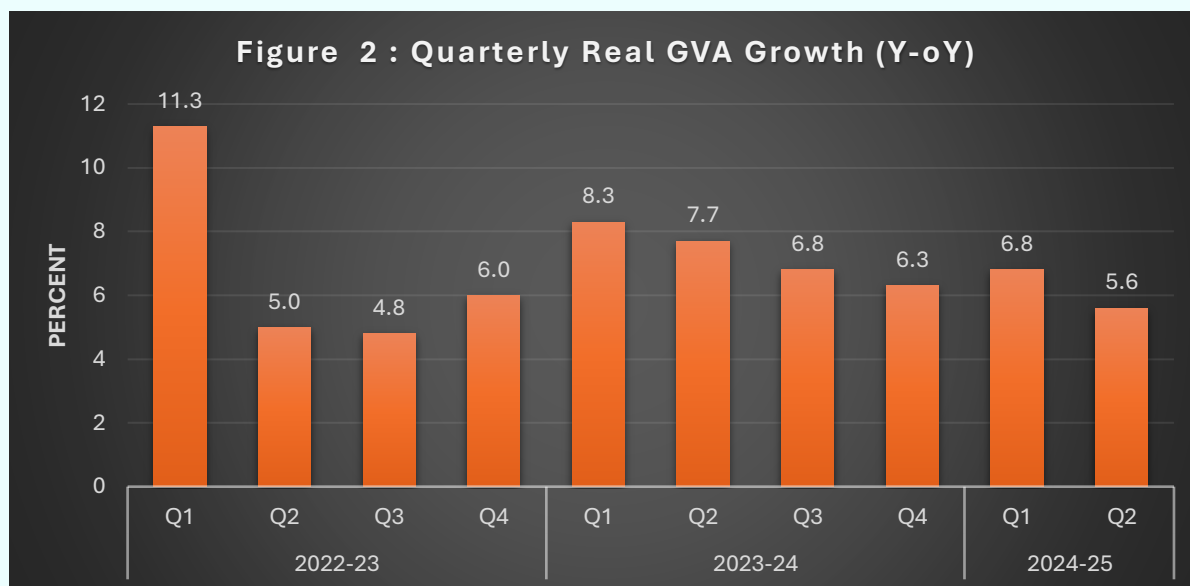
### INDIA'S ECONOMIC SLOWDOWN: Q2 FY 2024-25 GROWTH DROPS TO 5.4%

India's GDP growth in Q2 FY 2024-25 at 5.4% (Figure 1), a seven-quarter low, reflects both its inherent resilience and the constraints it faces amid a complex economic landscape. This performance, influenced by sectoral variations, global headwinds, and structural challenges, provides critical insights into the trajectory of the Indian economy.



Source: MoSPI, GoI

In Q2 of FY 2024-25, real GVA grew by 5.6%, compared to 7.7% in the same quarter of the previous fiscal year (Figure 2). Meanwhile, Nominal GVA increased by 8.1%, slightly lower than the 9.3% growth recorded in Q2 of FY 2023-24.



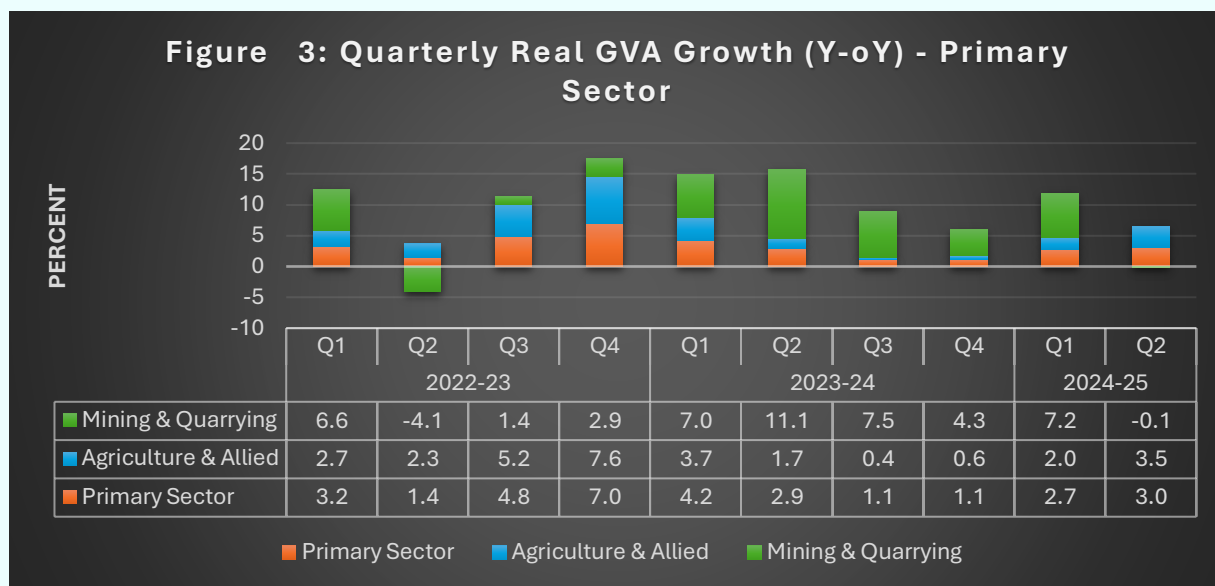
Source: MoSPI, GoI

## Sectoral Dynamics: Navigating Divergences

### *Primary Sector*

**Agriculture** remained steady with a growth rate of 3.5%, outperforming Q2 FY24's 1.7% (Figure 3). While favourable rainfall and policy interventions supported this growth, the sector's limited weight in the overall economy meant its contribution to aggregate GDP growth was modest (0.4 percentage points).

**Mining and Quarrying** contracted by 0.1%, primarily due to lower coal output and logistical challenges caused by excessive rainfall (Figure 3).



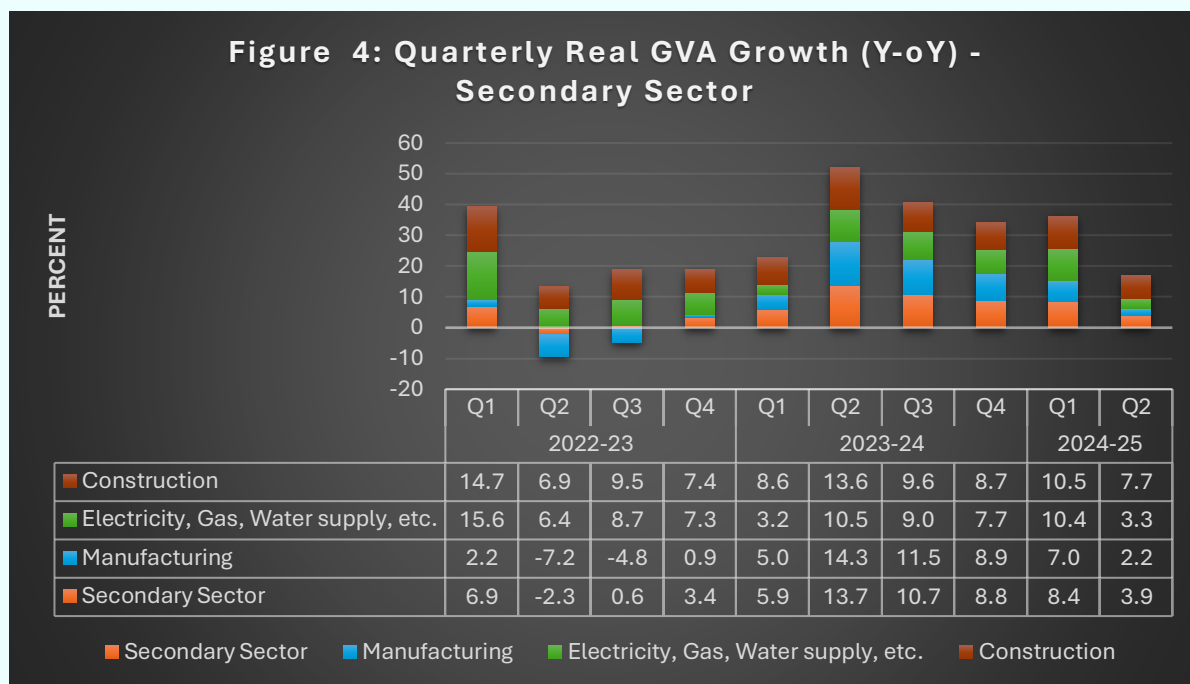
Source: MoSPI, GoI

### Secondary Sector: A Mixed Picture

The industrial sector's growth slowed to 3.6%, its weakest in six quarters. This deceleration stemmed from:

**Manufacturing** grew at just 2.2%, significantly lower than the 14.3% in Q2 FY24 (Figure 4). Weak demand, rising costs, and reduced margins in key industries like cement, refineries, and textiles contributed to the slowdown.

**Construction** showed resilience, expanding by 7.7%, driven by infrastructure projects under government initiatives.



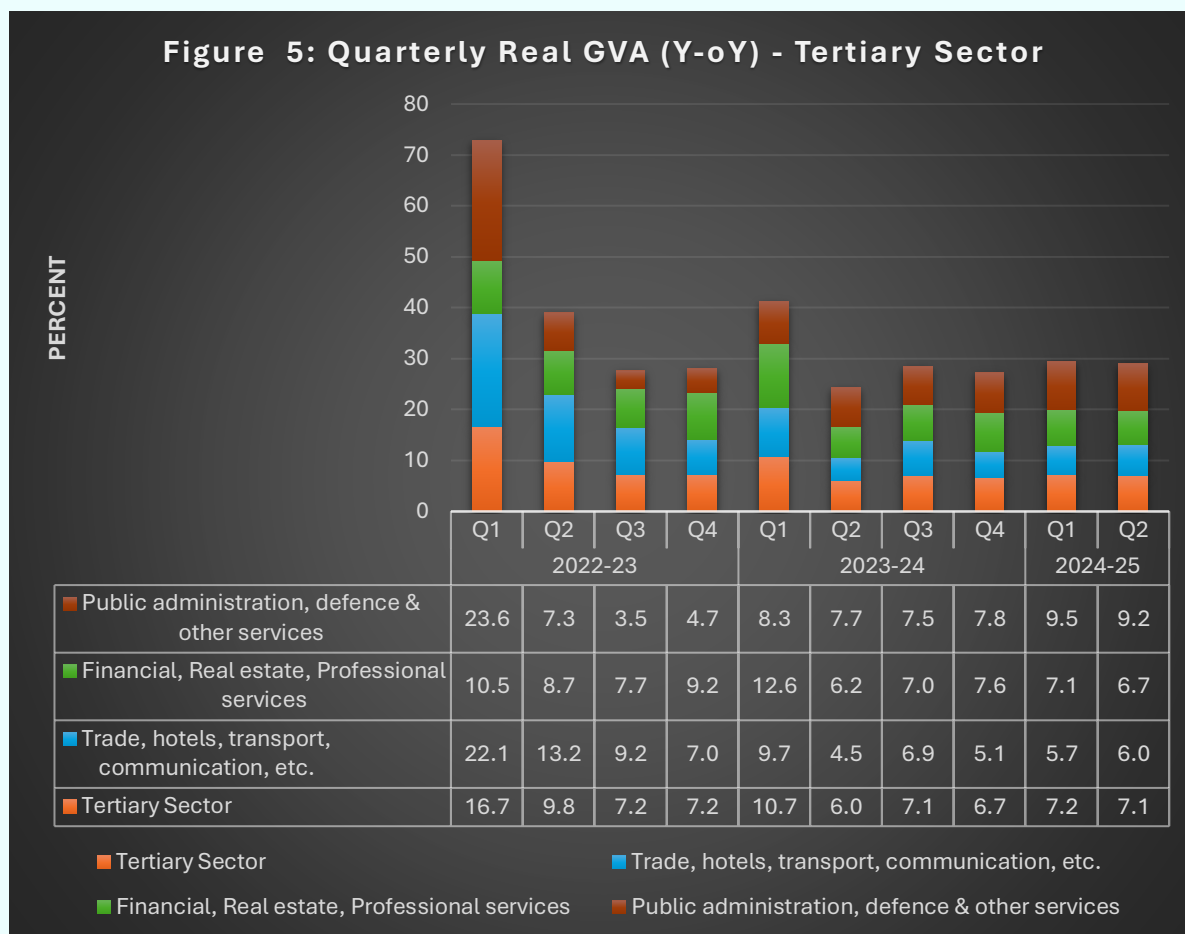
Source: MoSPI, GoI

### ***Tertiary Sector: Growth Driver***

Services expanded by 7.1%, buoyed by:

**Trade, Hotels, and Transport** growing at 6.0%, fuelled by festive demand and a tourism revival (Figure 5).

**Public Administration and Defence Services** at 9.2%, reflecting enhanced government spending in these areas (Figure 5). Despite this, services growth plateaued from the previous quarter (7.2%), indicating some tapering.



Source: MoSPI, GoI

## Expenditure Analysis: Uneven Growth Patterns

### Private Consumption

Private Final Consumption Expenditure (PFCE) surged by 6.0%, almost double Q2 FY24's 2.6%. Urban demand, rising incomes, and festive spending were key drivers. Rural expenditure grew by 10%, reflecting resilience and stronger demand for agricultural and allied products.

### Government Spending

Government Final Consumption Expenditure (GFCE) grew modestly at 4.4%, constrained by reduced public works during the monsoon season. Capital expenditure

growth by states was limited, with only five out of 17 states increasing spending in H1 FY25.

### ***Investment Trends***

Gross Fixed Capital Formation (GFCF) increased by 5.4%, indicating steady infrastructure investments. However, slower credit growth and higher input costs tempered private sector participation.

### ***Trade Performance***

Exports grew by 2.8%, but this was offset by a 2.9% contraction in imports, signalling reduced industrial activity and petroleum product consumption. The high-value demand for gold pushed the "valuables" expenditure category up by 14.4%.

### **Corporate Sector Performance: A Closer Look**

Corporate results reflected challenges across key sectors:

- Overall EBIDTA margins declined by 79 basis points to 14.4% in Q2 FY25.
- Sectors like refineries, cement, and power generation saw negative EBIDTA growth due to rising input costs and weaker demand.
- Automobile EBIDTA growth slowed to 4%, significantly below last year's 55%, highlighting weaker realizations despite steady demand.

### **Global Context and Domestic Challenges**

#### ***Global Headwinds***

India's economic performance has been shaped by global factors such as elevated interest rates in developed markets, volatile energy prices, and geopolitical tensions. These have dampened export prospects and increased input costs.

#### ***Domestic Bottlenecks***

**Credit Growth:** Incremental credit growth slowed significantly in H1 FY25, affecting sectors like housing, personal loans, and small enterprises.

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**Fiscal Constraints:** Both central and state capital expenditures underperformed, curtailing infrastructure development's multiplier effects.

## **Opportunities and Policy Directions**

### ***Strengthening Industrial Competitiveness***

Policymakers must focus on revitalizing manufacturing through:

- Incentives for high-value exports.
- Adoption of advanced technologies to reduce input costs.

### ***Boosting Rural Demand***

- Expanding rural credit and improving irrigation systems can further sustain agricultural growth and rural consumption.

### ***Accelerating Public Investment***

- Removing tied conditionalities for state expenditures and enhancing capital outlays will be crucial to unlocking infrastructure-driven growth

## **Conclusion**

India's Q2 FY 2024-25 GDP data reflects a nuanced economic scenario. While the services sector and private consumption remain robust, challenges in manufacturing, fiscal spending, and credit growth pose headwinds. The government and policymakers must leverage these insights to craft strategies that promote sustainable, inclusive growth, ensuring the Indian economy remains resilient amidst evolving global uncertainties.

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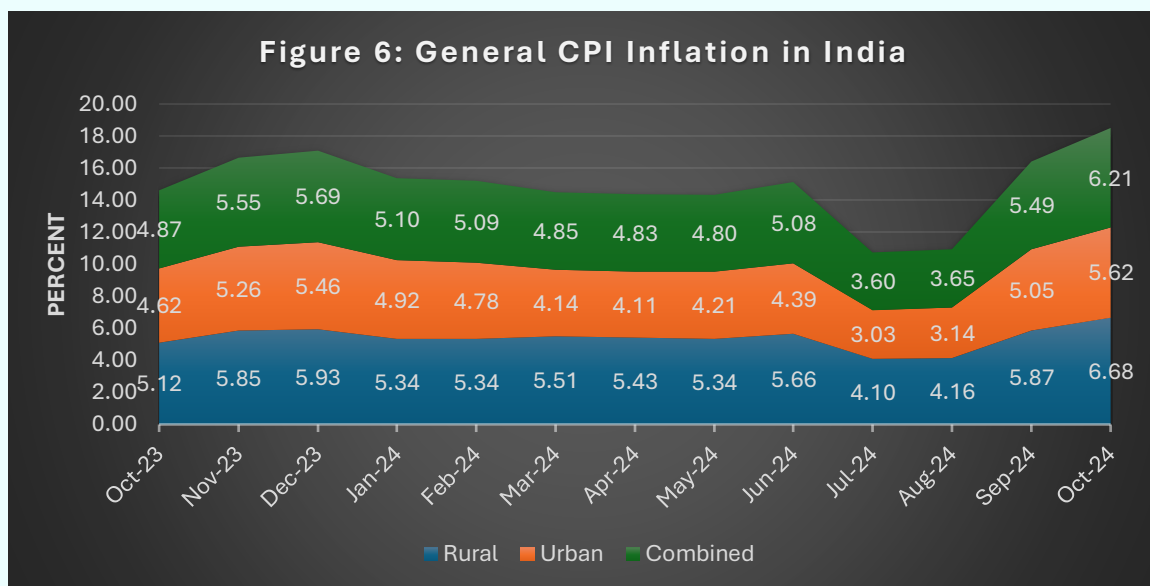
## INSIGHTS INTO INDIA'S OCTOBER 2024 INFLATION

### **Breaking Barriers: The Sharp Rise of India's CPI Inflation in October 2024**

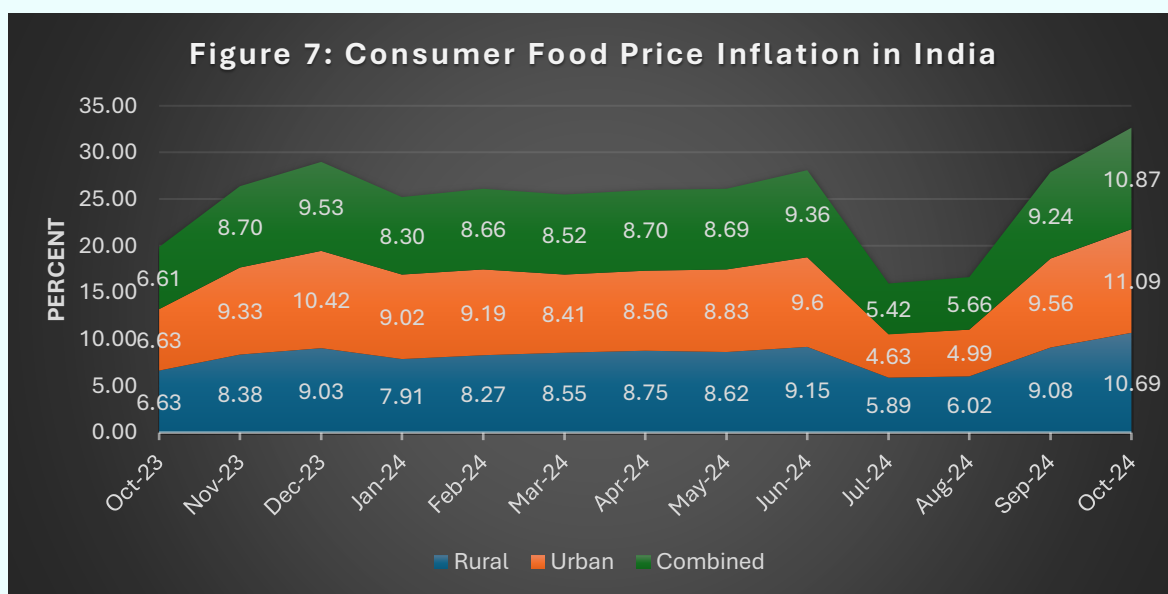
India's Consumer Price Index (CPI) inflation for October 2024 stood at 6.21% (Figure 6), breaching the RBI's upper tolerance limit of 6% for the second consecutive month. A deeper dive into the numbers reveals that food inflation (CFPI) surged to 10.87% (Figure 7), the highest in recent months, primarily driven by skyrocketing vegetable prices and pressures in the oils and fats segment.

Excluding volatile food and fuel categories, core inflation remained steady at approximately 4.5%, suggesting limited second-order effects on broader price levels.

The sharp rise in inflation during October 2024 can be attributed to several key factors. Erratic weather patterns and a delayed monsoon, coupled with uneven rainfall distribution, significantly disrupted agricultural output. This led to acute supply shortages in vegetables, particularly onions and tomatoes, driving up their prices sharply. Adding to this was the impact of global economic pressures, where import-dependent commodities like edible oils experienced price hikes due to international supply chain disruptions and ongoing geopolitical tensions. Demand-side pressures further exacerbated the situation, with the festive season fuelling consumer demand in urban areas, notably for prepared meals, personal care products, and non-alcoholic beverages. Additionally, the statistical base effect played a role, as October 2023's relatively low inflation rate of 4.87% amplified the year-on-year increase observed in October 2024.



Source: NSO, MoSPI, GoI



Source: NSO, MoSPI, GoI

### Rural vs. Urban Inflation Dynamics

Rural CPI stood at 6.68%, higher than the urban rate of 5.62% (Figure 6). Interestingly, urban CFPI inflation (11.09%) exceeded rural CFPI (10.69%) (Figure 7), highlighting the disproportionate impact of food inflation in cities due to supply chain inefficiencies.

## **Volatility in Food and Beverages**

Contributing significantly to the CPI basket, food and beverages inflation reached 9.69%. Vegetables were the most volatile category, witnessing a staggering inflation rate of 42.18%, followed by oils and fats at 9.51%. On the other hand, certain categories like sugar (2.57%) and pulses (7.43%) saw more moderate increases.

## **Regional Disparities in Inflation**

A state-level analysis of inflation in October 2024 reveals significant regional disparities. Chhattisgarh experienced the highest inflation rate at 8.84%, primarily driven by surging food prices, while Uttar Pradesh followed with 7.36%, underscoring the rural population's vulnerability to food inflation. In contrast, states like West Bengal and Delhi reported much lower inflation rates of 4.63% and 4.01%, respectively, reflecting more stable supply conditions and effective urban planning measures that helped contain price pressures.

## **Economic and Social Implications**

The economic and social implications of October 2024's inflation surge are profound. The Reserve Bank of India (RBI) faces a critical challenge as inflation breaches its 6% upper tolerance limit. While monetary tightening could help curb demand-driven inflation, it carries the risk of dampening economic growth at a time when recovery remains fragile. High food inflation places significant pressure on households, particularly lower-income groups, as food accounts for a large share of their consumption basket. This strain could weaken rural demand recovery and overall consumption growth. On the fiscal side, the government may need to step in with targeted subsidies or direct market interventions to stabilize food prices. However, such measures could complicate fiscal planning, as any expansionary moves to tackle inflation may conflict with ongoing efforts to reduce the fiscal deficit.

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## **Policy Recommendations**

While core inflation remains stable, food inflation is expected to ease by December as the kharif harvest enters the market. However, risks from global crude oil price fluctuations and climate change-induced supply disruptions loom large.

To address the inflationary pressures in the short term, several policy recommendations are crucial. Government agencies should focus on improving logistical efficiency, particularly for perishable goods, to strengthen supply chains. Additionally, enhanced monitoring of wholesale markets, along with the implementation of temporary import duties on key food items, could help stabilize prices.

For long-term solutions, investment in climate-resilient agriculture is essential to mitigate the effects of erratic weather patterns on food production. Furthermore, developing post-harvest infrastructure, such as cold storage and warehousing facilities, could reduce post-harvest losses and alleviate price volatility. The RBI must adopt a calibrated approach to rate hikes, ensuring that inflation is controlled without stalling economic growth.

Consumer support mechanisms also play a pivotal role, with the expansion of targeted welfare schemes like the Public Distribution System (PDS) offering protection to low-income households from food inflation. Additionally, encouraging urban farming initiatives can help reduce reliance on long supply chains, enhancing food security and price stability.

## **Conclusion**

The inflationary pressures of October 2024 underscore the complex interplay of supply disruptions, global volatility, and domestic demand factors. While short-term interventions are essential to mitigate immediate hardships, long-term structural reforms hold the key to stabilizing prices sustainably. As policymakers navigate these challenges, maintaining a balance between inflation control and economic growth will be paramount in steering India toward a more resilient future.

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## **October 2024 WPI Inflation: Surging Food Prices Amid Easing Fuel Costs**

The Wholesale Price Index (WPI) inflation in India rose to 2.36% year-on-year in October 2024, up from 1.84% in September 2024 (Figure 8). This marks a steady increase driven primarily by a sharp rise in food prices, despite declines in other key categories such as fuel and power. Here is a closer look at the contributing factors and implications of October's inflation dynamics.

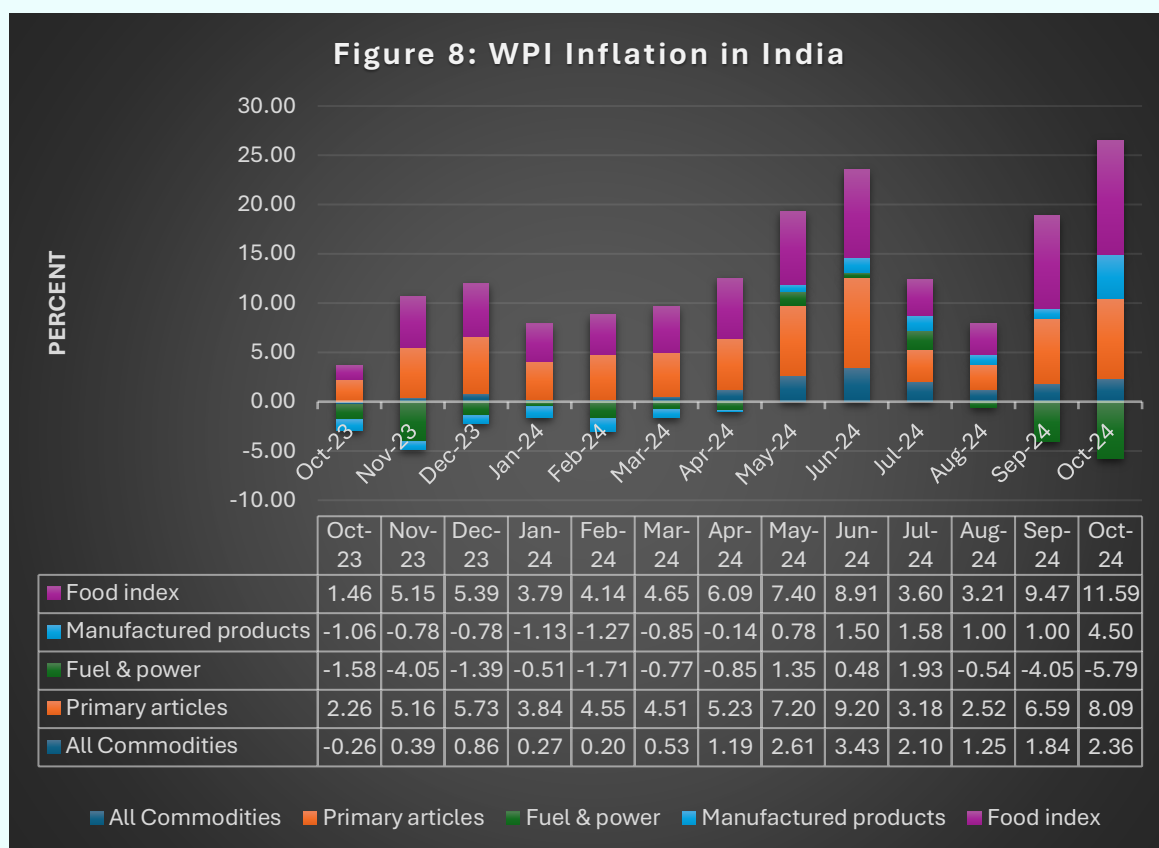
The WPI inflation for October 2024 was shaped by distinct trends across key categories. Primary Articles (22.62% weight) saw inflation rise to 8.09% year-on-year (YoY) in October, up from 6.59% in September. Food articles drove this increase, with inflation spiking to 13.54% YoY, led by vegetables (+63.04%), cereals (+7.91%), and pulses (+9.74%). Onion prices remained a significant factor, with a YoY inflation of 39.25%, though lower than September's 78.82%, while potato prices surged by 78.73%.

In contrast, Fuel and Power (13.15% weight) recorded a deeper deflation at -5.79% YoY compared to -4.05% in September. This decline was driven by falling prices of petrol (-7.35%) and diesel (-6.23%), alongside relatively stable global crude oil trends.

The inflation rate for Manufactured Products (64.23% weight) edged up to 1.50% YoY in October from 1.00% in September. Contributing factors included food product manufacturing (+7.77%) and vegetable and animal oils and fats (+20.16%), reflecting the impact of elevated raw material costs.

Meanwhile, the WPI Food Index (24.38% weight) rose sharply from 9.47% in September to 11.59% YoY in October, driven by soaring prices of perishable goods.

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Source: Office of Economic Adviser, DPIIT, Ministry of Commerce and Industry, GoI

## Monthly Changes

The month-over-month (MoM) WPI inflation rose by 0.97% in October, reversing the subdued growth seen in September (+0.13%).

- **Primary articles** grew by 2.35% MoM, mainly from food articles (+3.37%).
- **Fuel and power** declined by 0.27% MoM, reflecting lower mineral oil prices.
- **Manufactured products** posted a modest MoM increase of 0.49%, with notable gains in machinery and equipment, and food product manufacturing.

## Broader Economic Implications

- **Food Price Volatility:** The sharp rise in food prices, particularly vegetables, reflects supply disruptions caused by adverse weather conditions and logistic challenges. Elevated prices for essentials like onions and pulses may strain household budgets, particularly for low-income groups.

- **Fuel Deflation and Global Trends:** The decline in fuel prices, despite geopolitical uncertainties, provides relief to industries dependent on energy inputs and helps moderate overall inflationary pressures.
- **Manufacturing Sector Recovery:** The modest rise in manufactured goods prices indicates stable industrial activity. However, certain subsectors, such as pharmaceuticals and basic metals, showed deflationary trends, reflecting subdued global demand.

### Looking Ahead

While the uptick in WPI inflation suggests cost pressures in key areas, the overall trajectory remains manageable, especially with declining energy prices. Policymakers will closely monitor food price trends and supply chain dynamics to prevent further spikes in retail inflation, which often mirrors wholesale trends with a lag.

As India moves into the festive season, efforts to stabilize food supply and curb speculative price increases will be crucial to maintaining inflation within comfortable levels. Meanwhile, global crude oil prices and geopolitical developments will play a significant role in shaping fuel price trends.

### Conclusion

October 2024's WPI inflation reflects a mixed scenario of surging food prices against easing fuel costs, highlighting the interplay of domestic and global factors. While the current inflation rate remains within tolerable limits, targeted interventions are needed to ensure stable prices and sustained economic growth.

### CPI vs. WPI inflation

The data reveals significant differences between Consumer Price Index (CPI) and Wholesale Price Index (WPI) inflation trends in India over the past year. From October 2023 to October 2024, CPI inflation consistently outpaced WPI inflation, reflecting a persistent gap between the two indices. This gap, which stood at 5.13

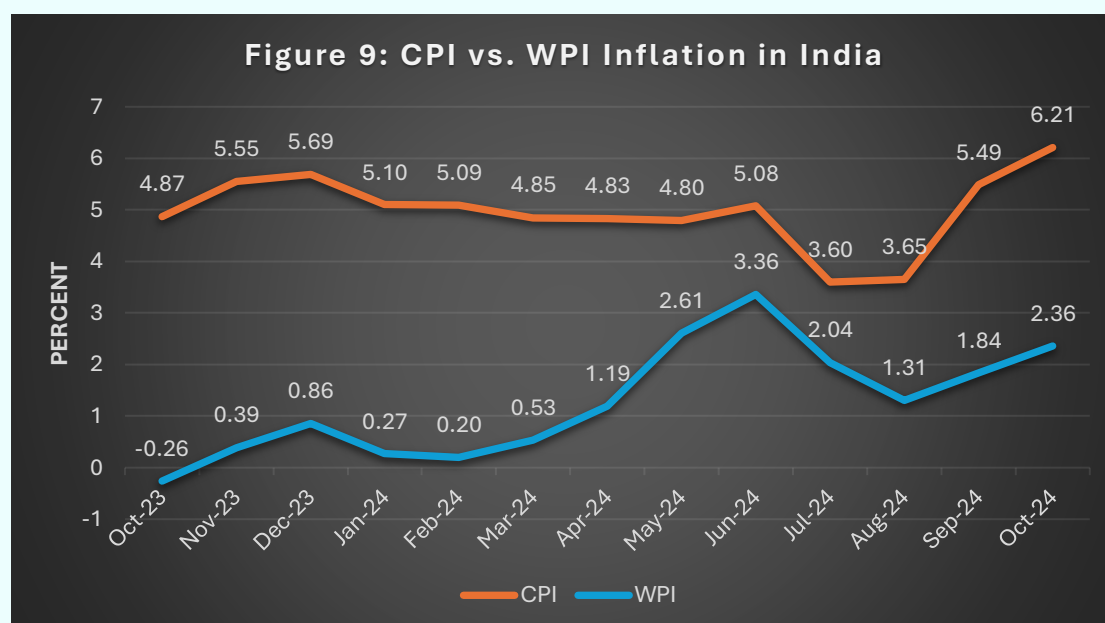
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percentage points in October 2023, narrowed to a low of 1.56 percentage points in July 2024 before widening again to 3.85 percentage points in October 2024.

The gap between CPI and WPI inflation narrowed significantly from May to July 2024, primarily due to a decline in CPI inflation and a recovery in WPI inflation. However, the gap widened again as CPI inflation accelerated from August 2024 onward. This divergence can be attributed to CPI's sensitivity to persistent food and fuel price increases, whereas WPI, with its focus on manufacturing and intermediate goods, tends to lag in reflecting retail price pressures. Additionally, global commodity market deflation and declining fuel prices in early 2024 further suppressed WPI inflation.

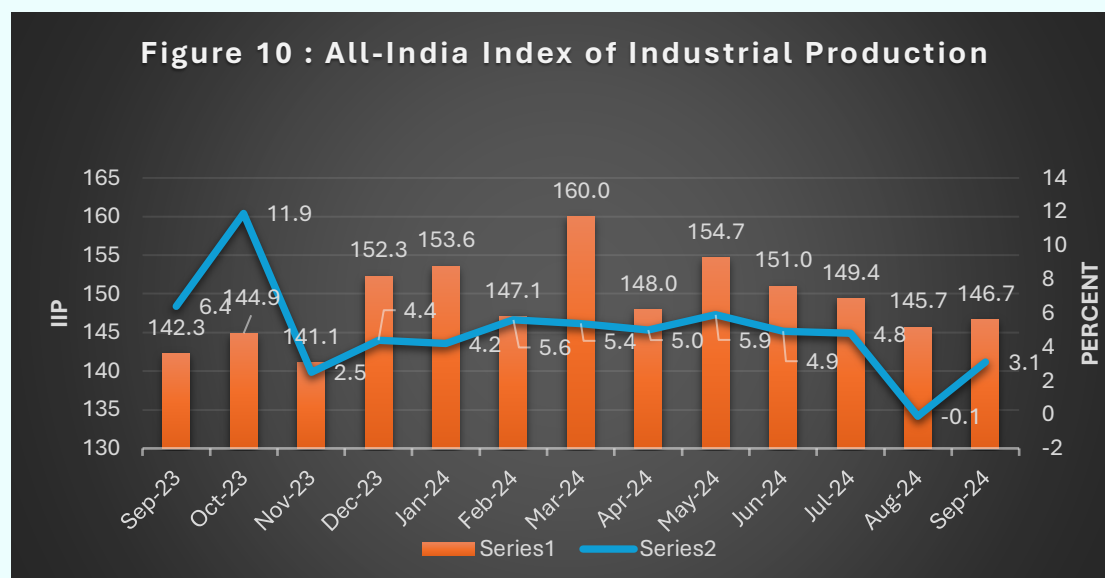
As of October 2024, both CPI (6.21%) and WPI (2.36%) (Table 9) have shown an upward trend, indicating inflationary pressures building at both retail and wholesale levels. This trend reflects a combination of rising demand and cost pressures within the economy. The contrasting behaviour of these indices highlights their complementary roles, with CPI capturing consumer-level price changes and WPI reflecting broader supply-side trends. Policymakers must carefully monitor both indices to address inflationary pressures effectively.



Source: Data accessed from NSO, MoSPI & Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

## INDIA'S SEPTEMBER 2024 IIP: MANUFACTURING LEADS RECOVERY AMID MIXED SECTORAL GROWTH

India's Index of Industrial Production (IIP) registered a growth rate of 3.1% year-on-year in September 2024 (Figure 10). This marks a significant improvement from the marginal contraction of -0.1% in August 2024.

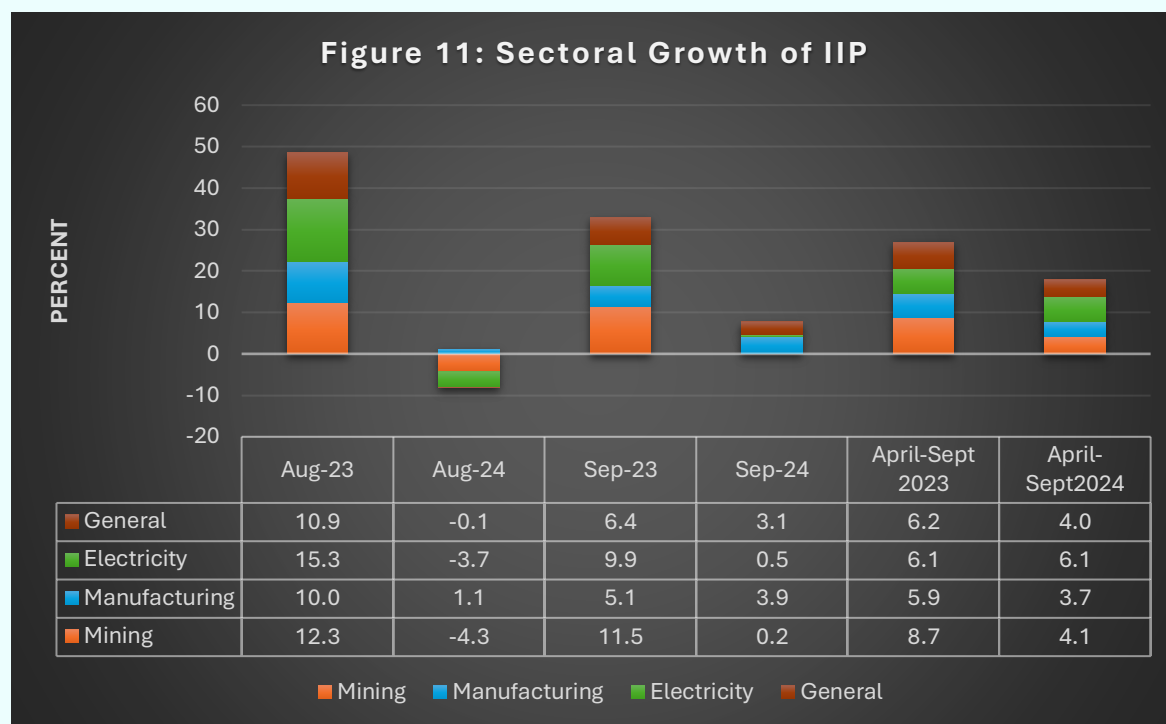


Source: NSO, MoSPI, GoI

### Sectoral Analysis

The sectoral analysis of industrial performance reveals a mixed picture (Figure 11). Growth in the mining sector remained muted at 0.2% year-on-year (YoY), highlighting ongoing challenges in stabilizing output. The sector's index saw a marginal rise, moving from 111.5 in September 2023 to 111.7 in September 2024. In contrast, the manufacturing sector, which accounts for the largest share of the Index of Industrial Production (IIP) at 77.6%, exhibited a 3.9% YoY growth. Its index improved from 141.5 in September 2023 to 147.0, driven by notable contributions from specific industries. Electrical equipment surged by 18.7% YoY, reflecting robust momentum in infrastructure and power-related activities. Similarly, coke and refined petroleum products grew by 5.3% YoY, supported by sustained demand, while basic metals registered a 2.5% YoY increase, signalling a moderate recovery in construction and manufacturing. Meanwhile, growth in the electricity sector remained

subdued at 0.5% YoY, with the index inching up from 205.9 in September 2023 to 206.9, indicating stable yet constrained expansion in power generation.



Source: NSO, MoSPI, GoI

## Use-Based Classification

An analysis based on use-based classification offers valuable insights into prevailing demand trends. Primary goods registered a modest growth of 1.8% year-on-year (YoY), indicating stabilization in core industrial outputs (Table 1). Capital goods experienced a 2.8% YoY increase, pointing to early signs of recovery in private investment. Intermediate goods exhibited strong growth of 4.2% YoY, reflecting rising demand for raw materials. Infrastructure and construction goods grew by 3.3% YoY, bolstered by ongoing government-led infrastructure initiatives. Consumer durables outperformed with a notable 6.5% YoY growth, driven by robust demand during the festive season, while consumer non-durables saw a modest growth of 2.0% YoY, indicating mixed consumption patterns.

**Table 1: IIP Growth – Use based classification**

(Percent)

|  | August-<br>23 | August-<br>24 | September-<br>23 | September-<br>24 | April-<br>September<br>2023 | April-<br>September<br>2024 |
|--|---------------|---------------|------------------|------------------|-----------------------------|-----------------------------|
| Primary goods                            | 12.4          | -2.6          | 8.0              | 1.8              | 6.3                         | 4.4                         |
| Capital goods                            | 13.1          | 0.5           | 8.4              | 2.8              | 7.0                         | 3.9                         |
| Intermediate<br>goods                    | 7.4           | 3.0           | 6.1              | 4.2              | 4.5                         | 4.0                         |
| Infrastructure/<br>Construction<br>goods | 15.7          | 2.2           | 10.1             | 3.3              | 13.0                        | 5.7                         |
| Consumer<br>durables                     | 6.0           | 5.3           | 1.0              | 6.5              | -0.8                        | 8.6                         |
| Consumer non-<br>durables                | 9.9           | -4.5          | 2.7              | 2.0              | 6.9                         | -1.3                        |

Source: NSO, MoSPI, GoI

### Comparative Monthly Trends

The overall IIP improved to 146.7 in September 2024, up from 142.3 in September 2023. On a month-over-month (MoM) basis, the general index grew 0.7%, reversing the contraction seen in August.

- Key drivers of the monthly uptick included manufacturing growth (+0.7%) and higher output in intermediate and consumer goods categories.
- However, weak momentum in mining and electricity production limited the pace of recovery.

### Macroeconomic Implications

- **Positive Signals for Manufacturing:** The robust growth in manufacturing, especially in high-demand sectors like electrical equipment and petroleum products, indicates resilience in industrial activity. The performance aligns with the government's focus on boosting domestic manufacturing under the Production-Linked Incentive (PLI) schemes.

- **Investment Recovery:** The growth in capital goods output is a positive sign for long-term investment cycles, suggesting that businesses are regaining confidence despite global headwinds.
- **Consumption Trends:** The sharp rise in consumer durables reflects festive season demand, while the moderate growth in non-durables highlights variability in rural and urban consumption patterns.
- **Challenges Ahead:** The tepid performance of the mining and electricity sectors indicates structural challenges, including supply chain constraints and fluctuating energy demands. Additionally, rising input costs could weigh on industrial profitability.

## Outlook

The September 2024 IIP data provides cautious optimism for India's industrial recovery. The manufacturing sector's strong performance and steady growth in infrastructure and consumer durables signal resilience in the face of global uncertainties. However, sustained efforts are needed to address bottlenecks in mining and electricity output while maintaining momentum in capital goods investment.

As the festive season demand continues to boost production, the focus will remain on fostering an investment-friendly environment and supporting structural reforms to ensure broad-based growth across industrial sectors.

*The Quick Estimates of Index of Industrial Production (IIP), MoSPI, is available at:*  
<https://shorturl.at/NbDvd>

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## INDIA'S CORE INDUSTRIES: BALANCING RESILIENCE AND CHALLENGES IN OCTOBER 2024

The Index of Eight Core Industries (ICI) serves as a vital barometer for India's industrial health, encompassing sectors that hold a combined weight of 40.27% in the Index of Industrial Production (IIP). The recently released figures for October 2024 present a nuanced picture of growth and challenges. With an overall year-on-year

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growth of 3.1% (Figure 12), this month underscores both the resilience and the areas of concern within India's industrial framework.



Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

## Growth Drivers

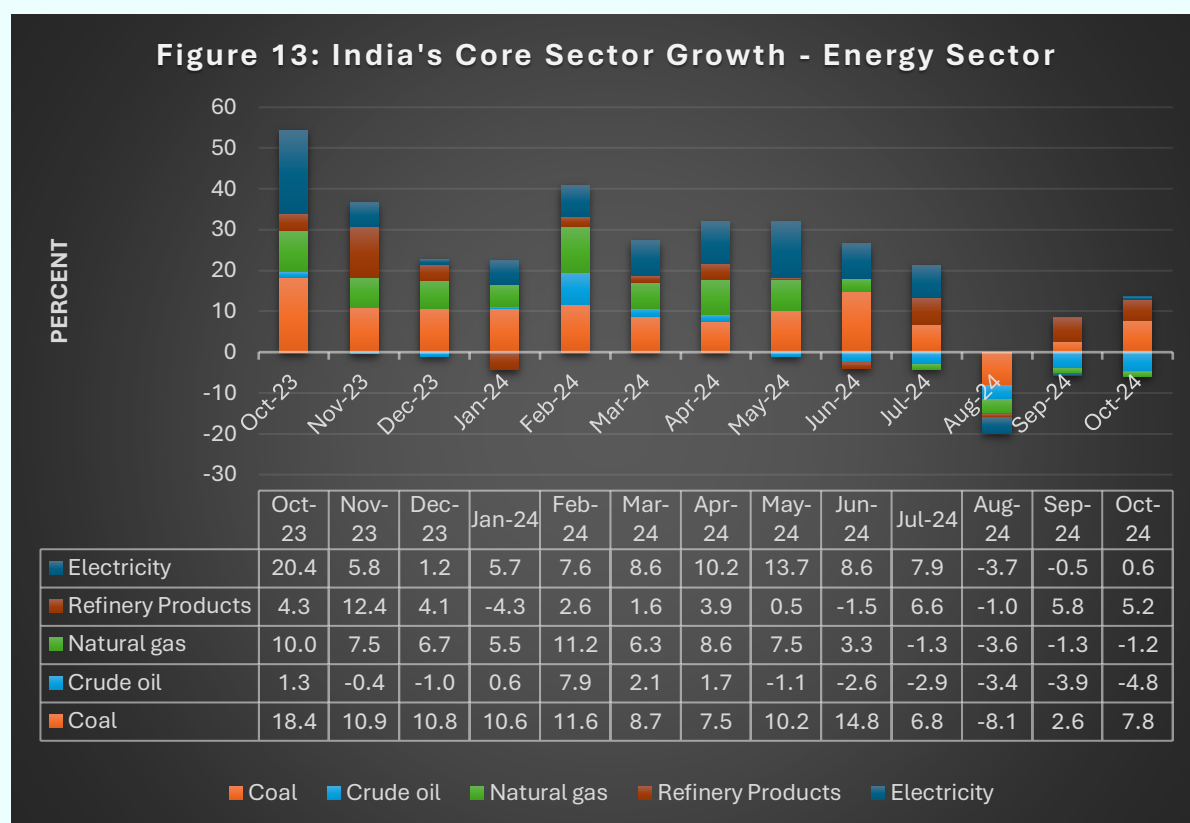
Several sectors demonstrated commendable performance. **Coal production**, constituting 10.33% of the ICI, surged by 7.8% in October 2024 compared to the same month in the previous year (Figure 13). This growth mirrors the sustained demand in energy-intensive industries and a pivot towards enhancing domestic coal availability amidst rising global prices.

The **petroleum refinery products** sector, the heaviest in the index at 28.04%, expanded by 5.2% (Figure 13). This reflects steady recovery in refining capacities, driven by increased demand for fuel and petrochemical derivatives both domestically and for exports. **Steel production** also rose by 4.2%, underpinned by robust construction and manufacturing activities, while **cement** saw a 3.3% growth (Figure 14), indicative of continued infrastructure development initiatives under government programmes.

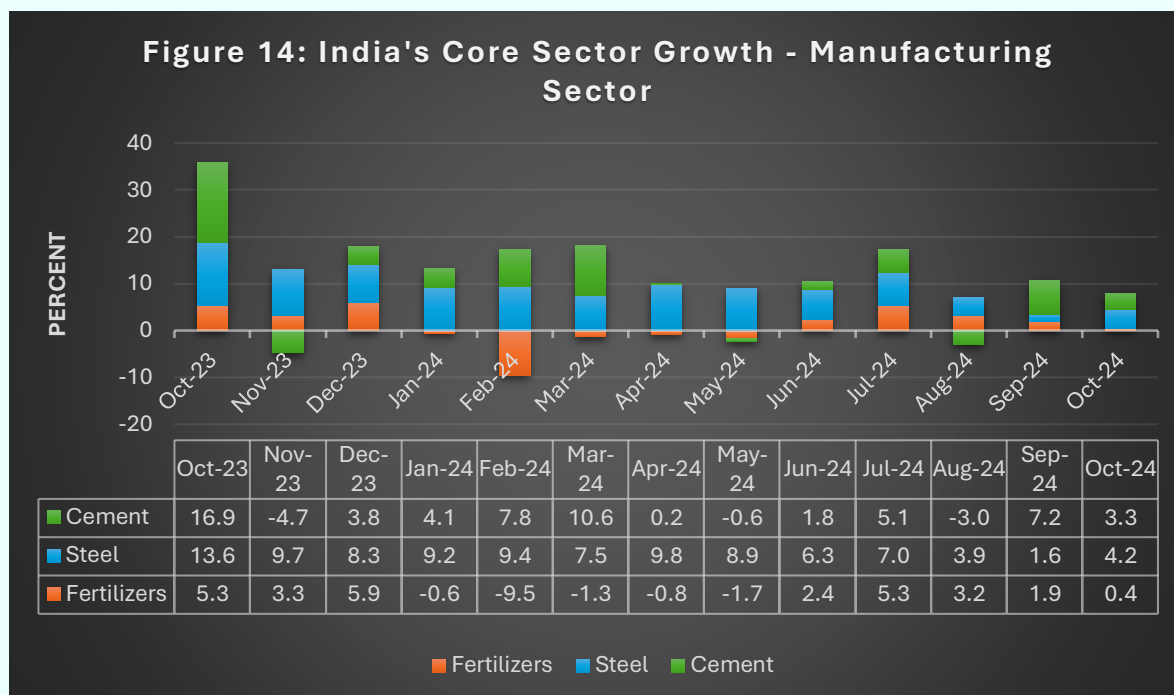
## Sluggish Contributors

In contrast, **crude oil production** declined sharply by 4.8%, signalling persistent structural and operational inefficiencies in upstream exploration (Figure 13). Similarly, **natural gas production** dropped marginally by 1.2% (Figure 13). These declines are concerning as they expose India's reliance on energy imports, exacerbating the trade deficit.

The growth in **electricity generation** was a modest 0.6%, constrained by subdued expansion in renewable energy output despite its inclusion since April 2014 (Figure 13). **Fertilizer production**, crucial for the agricultural sector, managed a marginal 0.4% rise, reflecting stable but unremarkable production levels (Figure 14).



Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI



Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

## Broader Trends

Cumulatively, for the April-October 2024 period, the ICI grew by 4.1% compared to 8.8% during the same period in the previous fiscal year (Table 2). The moderation in growth hints at challenges such as global economic headwinds, fluctuating commodity prices, and supply chain disruptions. Notably, sectors like crude oil and natural gas registered cumulative declines, underlining the need for strategic investments in these areas to reduce import dependency.

Conversely, cumulative growth in coal (6.2%) and steel (5.9%) underscores the resilience of industries linked to energy and infrastructure, which remain pivotal for long-term economic expansion.



**Table: 2: India's Annual Core Sector Growth**

|                          | Overall<br>Core<br>Sector | Energy Sector |           |                |                      |             | Manufacturing Sector |       |        |
|--------------------------|---------------------------|---------------|-----------|----------------|----------------------|-------------|----------------------|-------|--------|
|                          |                           | Coal          | Crude Oil | Natural<br>Gas | Refinery<br>Products | Electricity | Fertilizers          | Steel | Cement |
| 2012-13                  | 3.8                       | 3.2           | -0.6      | -14.4          | 7.2                  | 4.0         | -3.3                 | 7.9   | 7.5    |
| 2013-14                  | 2.6                       | 1.0           | -0.2      | -12.9          | 1.4                  | 6.1         | 1.5                  | 7.3   | 3.7    |
| 2014-15                  | 4.9                       | 8.0           | -0.9      | -5.3           | 0.2                  | 14.8        | 1.3                  | 5.1   | 5.9    |
| 2015-16                  | 3.0                       | 4.8           | -1.4      | -4.7           | 4.9                  | 5.7         | 7.0                  | -1.3  | 4.6    |
| 2016-17                  | 4.8                       | 3.2           | -2.5      | -1.0           | 4.9                  | 5.8         | 0.2                  | 10.7  | -1.2   |
| 2017-18                  | 4.3                       | 2.6           | -0.9      | 2.9            | 4.6                  | 5.3         | 0.03                 | 5.6   | 6.3    |
| 2018-19                  | 4.4                       | 7.4           | -4.1      | 0.8            | 3.1                  | 5.2         | 0.3                  | 5.1   | 13.3   |
| 2019-20                  | 0.4                       | -0.4          | -5.9      | -5.6           | 0.2                  | 0.9         | 2.7                  | 3.4   | -0.9   |
| 2020-21                  | -6.4                      | -1.9          | -5.2      | -8.2           | -11.2                | -0.5        | 1.7                  | -8.7  | -10.8  |
| 2021-22                  | 10.4                      | 8.5           | -2.6      | 19.2           | 8.9                  | 8.0         | 0.7                  | 16.9  | 20.8   |
| 2022-23                  | 7.8                       | 14.8          | -1.7      | 1.6            | 4.8                  | 8.9         | 11.3                 | 9.3   | 8.7    |
| 2023-24                  | 7.6                       | 11.8          | 0.6       | 6.1            | 3.6                  | 7.1         | 3.7                  | 12.5  | 8.9    |
| April-<br>Oct            | 8.8                       | 13.1          | -0.1      | 5.1            | 4.0                  | 7.9         | 6.7                  | 15.6  | 12.3   |
| 2023-24<br>April-<br>Oct | 4.1                       | 6.2           | -2.5      | 1.5            | 2.7                  | 5.3         | 1.5                  | 5.9   | 1.8    |
| 2024-25                  |                           |               |           |                |                      |             |                      |       |        |

Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

### Policy Implications

To maintain momentum and address the highlighted challenges, policy interventions are imperative. Enhancing investment in renewable energy, particularly solar and wind, could mitigate the subdued growth in electricity generation. For crude oil and natural gas, incentivizing exploration activities and adopting advanced technologies are crucial steps. Simultaneously, aligning fertilizer production with sustainable agricultural practices could ensure stable growth in this critical input sector.

Additionally, the government's focus on expanding infrastructure under initiatives like Gati Shakti and PM Gati Shakti could further boost cement and steel demand, translating into higher contributions from these sectors to the ICI.

## Looking Ahead

The ICI data for October 2024 paints a picture of cautious optimism. While several sectors have demonstrated resilience, structural reforms and focused investments are necessary to unleash the full potential of India's core industries. The road ahead requires balancing growth imperatives with sustainability and self-reliance, a strategy pivotal for long-term industrial health and economic growth.

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### **ROBUST EXPORT GROWTH BOOSTS INDIA'S TRADE OUTLOOK DESPITE RISING IMPORTS**

India's merchandise exports surged at the fastest pace in 28 months in October, registering a 17.3% year-on-year (Y-o-Y) growth to reach \$39.2 billion. The double-digit growth was driven by robust demand from Western countries building inventories ahead of the Christmas season. However, imports also hit a record high of \$66.34 billion, growing by 3.9%, leading to a widening trade deficit of \$27.1 billion, up from \$20.8 billion in September, as per the commerce department's data.

#### **Key Drivers of Export Growth**

Non-petroleum and non-gems and jewellery exports, a key indicator of the health of domestic manufacturing, surged by 27.7% in October to reach \$31.36 billion. Several key segments contributed to this robust performance, with engineering goods growing by 39.4%, electronic goods by 45.7%, chemicals by 27.35%, readymade garments by 35.1%, and rice by an impressive 85.8%. However, exports of petroleum products, which constitute 12% of India's export basket, declined by 22.1% to \$4.6 billion, primarily due to falling global crude oil prices.

#### **Record Imports and Widening Trade Deficit**

Import growth in October was driven by several key categories. Crude oil imports rose by 13.3%, while electronic goods saw an increase of 6.8%. Vegetable oil imports surged significantly, growing by 50.9%, and non-ferrous metals registered a 26.1% rise. Gold imports remained substantial at \$7.14 billion, despite a year-on-year contraction of 1%.

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The cumulative trade data for April–October showed merchandise exports at \$244.5 billion, a growth of 3.2%, while imports increased by 5.7% to \$416.9 billion, leading to a trade deficit of \$164.65 billion for the period.

### **Services Sector Performance**

India’s services exports also posted a strong **21.3% growth** at \$34 billion in October, with imports rising **26.3%** to \$17 billion. This resulted in a surplus of **\$17 billion**, though the data is provisional and will be revised based on RBI figures.

### **Policy and Market Impacts**

Commerce Secretary Sunil Barthwal expressed optimism, stating that India is on track to achieve \$800 billion in goods and services exports this financial year. He attributed the performance to focused strategies on key sectors and markets, supported by initiatives like the Production Linked Incentive (PLI) scheme, which enhances manufacturing competitiveness.

Barthwal also highlighted the contribution of Christmas inventory build-up in Western countries to export growth, remarking, “This Christmas sales looks better than last year, reflecting our growing export contribution.”

### **Challenges in Trade**

Despite strong export growth, global economic uncertainties, geopolitical tensions like the Israel-Iran conflict, and logistical challenges have impacted international trade. Buyers in key regions, including Europe, Africa, and the Gulf, are maintaining larger inventories due to supply chain disruptions.

Additionally, the rising trade deficit has raised concerns. Increased crude oil and gold imports contributed to the sequential rise in the deficit. However, she expects the current account deficit (CAD) to ease to 1.2% of GDP in Q3FY25 from an estimated 1.8% in Q2FY25, settling at around 1% of GDP for FY25.

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## Looking Ahead

India's export performance in October provides a positive outlook despite challenges in certain segments like petroleum products. Strong growth in engineering goods, electronics, and rice, coupled with robust service exports, underscores India's diversified export basket. However, rising imports, inflationary pressures, and geopolitical risks could pose headwinds in the near term.

## EMPLOYMENT

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### PAYROLL REPORTING IN INDIA: A SNAPSHOT OF FORMAL SECTOR EMPLOYMENT

The Ministry of Statistics & Programme Implementation's September 2024 report, *Payroll Reporting in India: An Employment Perspective*, offers valuable insights into trends in formal sector employment from April 2023 to September 2024. By analysing subscriber data from the Employees' Provident Fund (EPF), Employees' State Insurance (ESI), and National Pension Scheme (NPS), the report highlights workforce dynamics across key schemes.

#### Key Findings from the Report

**Employees' Provident Fund (EPF):** The EPF data reveals age-wise and gender-wise trends in subscription. During April 2023 to March 2024, over 1.49 crore new subscribers joined the EPF scheme, reflecting a significant addition of formal jobs, especially in the younger age brackets of 18–25 years. For the subsequent months up to September 2024, the growth continued steadily, with a notable increase in re-enrollments, signifying job recoveries post-pandemic disruptions. Women accounted for approximately 25% of new subscribers, though the proportion remained skewed towards men.

**Employees' State Insurance (ESI):** ESI, which covers employees earning up to ₹21,000 per month, recorded a subscriber base of over 2.92 crore for the period April 2023 to March 2024. Newly registered employees during this time numbered over 1.67 crore, with a substantial concentration in the 22–35 age group. The gradual increase in ESI subscribers during 2024 reflects steady job creation in smaller establishments, where ESI is predominantly applicable.

**National Pension Scheme (NPS):** Data from the NPS, which caters to government and corporate employees, highlights a steady rise in pension enrollment. From April

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2023 to March 2024, nearly 5.64 lakh individuals joined the scheme. While the corporate sector showed robust participation, the government sector remained the dominant contributor to the NPS subscriber pool.

### **Emerging Trends and Challenges**

**Youth Employment Dominance:** The largest share of new subscriptions was concentrated in the age group of 18–25, indicative of young professionals entering the workforce. However, re-entrants among older cohorts underscored employment churn and the resilience of the labour market.

**Gender Disparity:** Despite some improvements, women continue to be underrepresented in formal employment. Focused interventions are necessary to bridge this gap.

**Sectoral Insights:** The NPS's corporate sector traction suggests a gradual shift towards formal retirement planning. Meanwhile, ESI's focus on low-wage earners highlights its role in safeguarding socio-economic security for vulnerable groups.

### **Policy Implications and Recommendations**

**Promoting Formal Employment:** The increasing coverage under EPF and ESI indicates progress in formalization. Strengthening labour laws and compliance mechanisms could enhance this trajectory.

**Enhancing Women's Participation:** Tailored policies to support women, such as childcare facilities and flexible work hours, can significantly improve gender balance in the formal workforce.

**Data Integration and Transparency:** To address overlapping subscriber data, better coordination among EPFO, ESIC, and PFRDA can lead to more accurate employment statistics, essential for policy-making.

**Leveraging Technology:** Digital tools for tracking real-time employment data can reduce delays and improve decision-making efficiency.

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## Conclusion

The September 2024 payroll data underscores India's steady march toward formal employment expansion. Yet, addressing systemic challenges like gender disparity and informal sector transitions remains critical. As India progresses towards its economic ambitions, these insights provide a roadmap for informed and inclusive policy formulation.

## AGRICULTURE

### OPTIMISM AMID UNCERTAINTY: DECODING INDIA'S 2024-25

#### AGRICULTURAL OUTLOOK

The projection of record foodgrain output for the 2024-25 kharif season by the Ministry of Agriculture and Farmers Welfare, Government of India, has sparked optimism for a rebound in India's farm economy. However, with the sector facing persistent challenges, the crucial question remains: will this growth translate into tangible income gains for farmers?

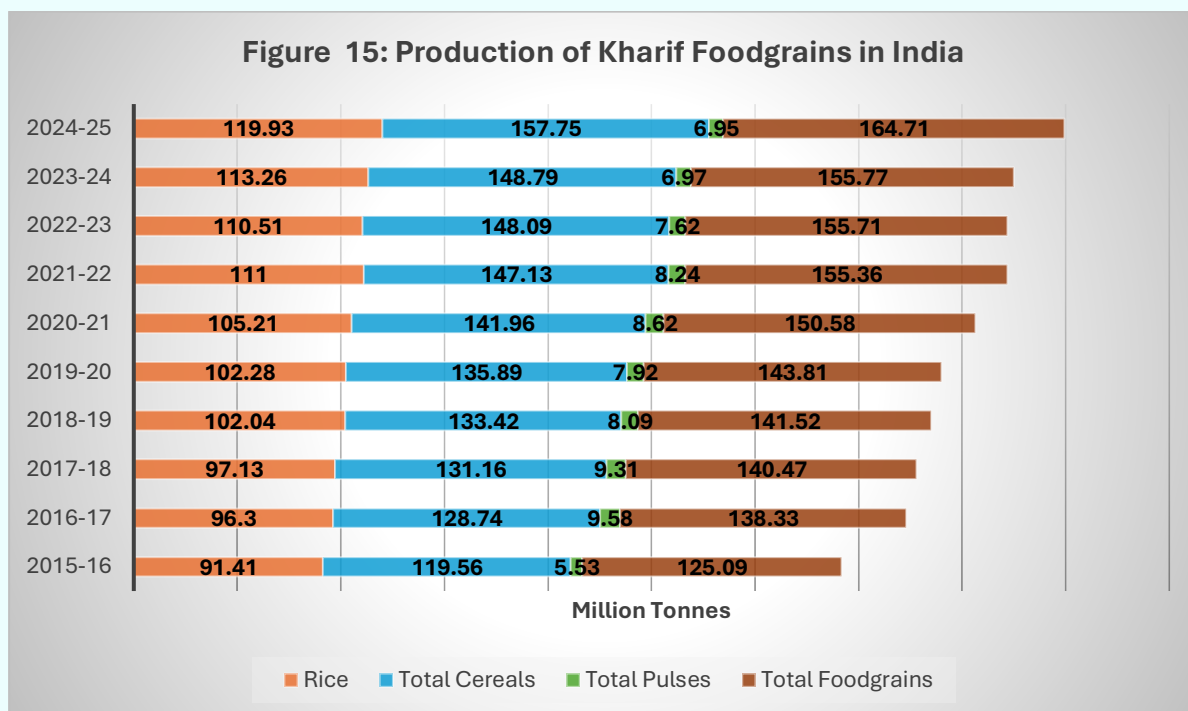
#### Modest Growth Amid Mixed Signals

After years of strong performance, agriculture's Gross Value Added (GVA) growth dipped to just 1.4% in 2023-24, hindered by erratic monsoon patterns that disrupted the production of pulses and horticultural crops. The first quarter of FY25 showed some improvement, with 2% growth compared to 3.7% in the same period last year. Economists estimate agriculture GVA growth for the current fiscal year at 3-3.2%, reflecting cautious optimism.

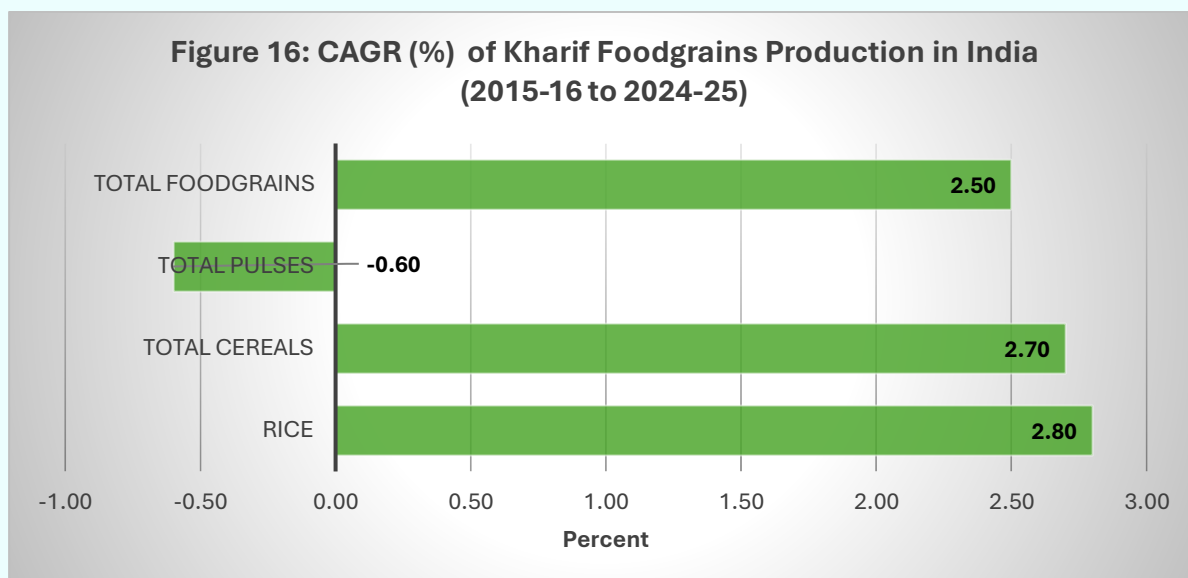
On a brighter note, the Ministry's first advance estimates project a record 164.7 million tonnes of foodgrain production for the 2024-25 kharif season, a 5.4% increase over the previous year (Figure 15 ). If these estimates hold, they could enhance GVA growth, boost rural incomes, and stimulate consumption. However, realizing these benefits depends on farmers securing fair prices for their produce.

During the 10-year period 2015-16 to 2024-25, kharif foodgrain production is estimated to grow at a CAGR of 2.5% (Figure 16). While the CAGRs of rice and total cereals are 2.8% and 2.7%, respectively, pulses are estimated to grow at a negative CAGR of -0.6%.





Source: Government of India, Ministry of Agriculture & Farmers Welfare, Department of Agriculture & Farmers Welfare (DA&FW), First Advance Estimate of Production of Food Grains



Source: Calculations by InsPIRE, based on data accessed from Government of India, Ministry of Agriculture & Farmers Welfare, Department of Agriculture & Farmers Welfare (DA&FW), First Advance Estimate of Production of Food Grains

## **The MSP Conundrum: Unlocking Fair Prices for Farmers**

Despite record production forecasts, a key obstacle remains the ineffective Minimum Support Price (MSP) mechanism for crops other than paddy. While the government has initiated MSP procurement for oilseeds like soybean and mustard, these efforts are insufficient to shield farmers from market volatility.

For instance, rising import duties on edible oils have increased domestic prices, but oilseed farmers continue to struggle due to trader dominance. Strengthening MSP operations for pulses and oilseeds is crucial, especially as the government targets a 13% increase in oilseed production to 44.75 million tonnes. Without effective interventions, farmers risk missing out on potential gains from higher domestic prices.

## **Rabi Season: A Beacon of Hope**

The outlook for the rabi (winter) season offers hope for agricultural recovery. Above-average monsoon rainfall has left reservoirs at 86% capacity, 25% higher than last year, ensuring adequate irrigation for key crops like wheat, mustard, and chana.

If favourable weather persists through the critical March-April harvest months, robust rabi production could stabilize grain supply and potentially reduce prices, benefiting both farmers and consumers. However, the unpredictability of weather remains a significant risk.

## **Oilseeds and Pulses: A Step Toward Self-Reliance**

India's push to increase oilseed and pulse production is gaining momentum. The projected oilseed output of 44.75 million tonnes for 2024-25, up from 39.66 million tonnes last year, could reduce dependence on edible oil imports. Similarly, chana production is expected to rise by 24%, reaching 13.65 million tonnes, bolstering domestic pulse availability.

If complemented by expanded MSP operations and better market access, these efforts could improve farmer incomes and enhance food security.

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## **Inflation and Its Ripple Effects**

Rising food inflation remains a pressing concern. Retail inflation hit a 14-month high of 6.21% in October 2024, driven by surging prices of vegetables, fruits, and edible oils. With food accounting for nearly 50% of the Consumer Price Index (CPI), rural households—where inflation reached 10.69%—are feeling the strain.

While the government has set an ambitious foodgrain production target of 341.55 million tonnes for 2024-25, inflationary pressures risk undermining its impact. High food prices could erode rural purchasing power, limiting the benefits of increased production.

## **Climate Uncertainty: A Persistent Challenge**

Erratic weather remains an unpredictable threat to India's agricultural stability. Heatwaves and excessive rainfall have previously damaged wheat crops, and similar events in 2024-25 could derail rabi season gains.

Despite the introduction of climate-resilient wheat varieties, the Reserve Bank of India's August 2024 bulletin warned that climate change continues to drive food price volatility, adding uncertainty for farmers and consumers alike.

## **Conclusion: Fragile Hopes for a Farm Economy Revival**

The 2024-25 agricultural outlook reflects a delicate balance of optimism and caution. While record foodgrain production and favourable rabi conditions provide hope, unresolved structural challenges—such as inadequate MSP operations, rising inflation, and climate risks—cast a shadow over sustainable income growth for farmers.

Policy interventions that prioritize fair price realizations, market reforms, and climate resilience are critical to converting this promising outlook into a tangible revival for India's farm economy. Without these measures, the gains from record harvests may remain elusive for those who need them most.

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## **INDIA RETAINS TOP SPOT IN MILK PRODUCTION AMID DECLINING GROWTH RATES**

India's milk production growth rate has further decelerated to **3.78%** in 2023-24, continuing a trend of declining growth over recent years, according to data released in the Animal Husbandry Statistics 2024. Despite this slowdown, India remains the world's largest milk producer, with a total output of 239.3 million tonnes for the year.

The decline in growth is notable compared to earlier years. In 2017-18, the annual growth rate was 6.62%, which gradually tapered to 5.69% in FY20 and 5.77% in FY22. The sharpest drops have been observed in the last two financial years, with growth rates of 3.83% in FY23 and 3.78% in FY24. This trend has sparked concern within the dairy industry, which calls for deeper investigation into the causes.

A prominent industry expert, speaking anonymously, expressed apprehension about the implications of this decline. "India has traditionally doubled its milk production every 15 years. If this slowdown persists, it could indicate a systemic issue where production is increasingly reliant on the number of animals rather than improvements in per-animal yield. This needs urgent study," the expert said.

Union Minister of Fisheries, Animal Husbandry, and Dairying Rajiv Ranjan Singh, speaking at an event to celebrate National Milk Day, highlighted that India's average milk production growth over the last decade has been 6%, significantly outpacing the global average of 2%. Singh's remarks underscore India's leadership in milk production but also hint at the need to sustain this edge amid emerging challenges.

The latest data also reported growth in other livestock categories. Egg production rose from 138.38 million tonnes in FY23 to 142.77 million tonnes in FY24, registering a 3.17% increase.

The decline in milk production growth comes at a time when India's dairy sector plays a crucial role in rural livelihoods and nutrition. Addressing issues like low per-animal yield, disease management, and feed availability could be critical in reversing the slowdown and ensuring sustainable growth in the sector.

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to boosting farmer welfare without creating significant inflationary pressures.

## INDUSTRY

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### INDIA EMERGES AS A KEY PLAYER IN APPLE'S GLOBAL IPHONE STRATEGY

Apple and its vendors plan to assemble 32% of iPhone's global production volume and 26% of its value in India by FY27, a year after the end of India's production-linked incentive (PLI) scheme for mobile devices. This shift could represent a production value of over \$34 billion, assuming global iPhone sales remain steady. For FY25, vendors estimate a freight-on-board (FOB) production value of \$9 billion in the first half, with India's share expected to rise to 17-18% in volume and 14% in value by the year's end.

In FY24, India accounted for 12-14% of global iPhone production volume and over 10% of its value, translating to a production value of \$14 billion. By FY25, the production value is projected to reach \$18 billion (market value of \$27 billion). The shift from China is significant, as iPhones generate 51% of Apple's global revenue, totalling \$201 billion in FY24—higher than Tata Group's \$165 billion or Reliance Industries' **\$119 billion**.

Apple's initial commitment under the PLI scheme was to shift **10% of production** to India by FY25, but it exceeded that by FY24. Challenges remain, such as bridging cost disadvantages with China and Vietnam, easing tariffs on components, improving labour laws, and meeting value-addition targets of **35-40%**. Global trade dynamics, including potential US tariffs on Chinese imports, could further benefit India as a production hub.

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## CORPORATE RESULTS – Q2 FY25

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### TATA STEEL POSTS ₹833 CRORE PROFIT IN Q2FY25, BEATS MARKET ESTIMATES

Tata Steel reported a consolidated net profit of ₹833.45 crore in Q2FY25, recovering from a net loss of ₹6,196.24 crore in Q2FY24 due to prior impairment charges in the UK. Consolidated revenue stood at ₹53,904.71 crore, down 3.2% year-on-year, but exceeded Bloomberg estimates. Sequentially, net profit fell 13.1% due to lower realizations in India and the Netherlands.

Key highlights include:

- **India Operations:** Deliveries reached 5.1 million tonnes for Q2 and 10.1 million tonnes for H1FY25. India turnover was ₹32,660 crore, and PAT rose to ₹3,460 crore from a loss of ₹8,814 crore in Q2FY24. The company commissioned a 5 mtpa blast furnace and 2.2 mtpa cold rolling mill in Kalinganagar, boosting the product mix.
- **International Operations:** UK and Netherlands revenues were impacted by compressed steel spreads. UK EBITDA posted a loss of £147 million, while Netherlands' EBITDA was £22 million.

CEO T.V. Narendran noted improving domestic demand despite price pressures from imports. Tata Steel invested ₹8,583 crore in capital expenditures, primarily in India, during H1FY25.

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### JINDAL STEEL'S Q2 PROFIT DROPS 38% AMID WEAK DEMAND AND PRICE PRESSURES

Jindal Steel and Power reported a 38% year-on-year decline in consolidated net profit to ₹861 crore in Q2FY25, with revenue from operations falling 8.5% to ₹11,213 crore. The company's performance was impacted by weak domestic steel demand, lower prices, and above-normal rainfall, which slowed activity in the auto and

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infrastructure sectors. Domestic steel prices hit a three-year low during the quarter, pressuring profits.

Looking ahead, the construction season from October to April is expected to boost demand and stabilize prices.

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### **M&M RIDES HIGH: RECORD AUTO SALES DRIVE 35% PAT GROWTH IN Q2 FY25**

Mahindra & Mahindra (M&M) reported a 35% YoY increase in PAT for Q2 FY25, reaching ₹3,171 crore, driven by booming auto sales and market share gains. Revenue grew 10% YoY to ₹37,924 crore, led by strong performances in the auto and farm sectors. For H1 FY25, M&M's PAT rose 10% to ₹6,453 crore, with revenue also up 10% at ₹75,141 crore.

- **Auto and Farm Divisions:** Contributed to **23% profit growth**, with the auto segment achieving record quarterly volumes of 231,000 units (up 9%).
- **Financial Services:** Assets under management increased **20%**, while Tech Mahindra's EBIT in its BFSI segment improved by **490 basis points**.
- **Electric Vehicles:** M&M plans to launch its EV lineup on November 26 as production capacity expands, with dealer inventories under 30 days.
- **Market Performance:** Despite strong results, M&M's stock closed lower at ₹2,900.

Anish Shah, CEO, emphasized solid operating performance, market leadership, and margin expansion.

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### **HYUNDAI INDIA FOCUSES ON PREMIUMISATION AS MARKET CONDITIONS WEIGH ON Q2 FY25 RESULTS**

Hyundai Motor India (HMIL), recently listed on Indian stock exchanges, reported a 15.5% decline in profit after tax (PAT) for the second quarter (Q2) of 2024-25 (FY25), largely due to weak market sentiment and geopolitical challenges. Revenue from operations fell 7.5% year-on-year (Y-o-Y) to approximately ₹17,260 crore. The company posted earnings before interest, tax, depreciation, and amortization

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(EBITDA) of ₹2,205 crore, with an EBITDA margin of 12.8%, reflecting a 9.6% decline Y-o-Y.

HMIL's stock dropped 0.98% to ₹1,804.45 per share on the BSE, a notable fall from its listing price of ₹1,931 per share. Unsoo Kim, managing director of HMIL, announced plans for a dividend payout policy soon and expressed confidence in the company's long-term stock value. The company is increasingly focusing on premiumisation, with sunroofs now making up 53% of sales in H1 FY25, up from 47.4% in H1 2023-24. Automatics now account for 25.3% of sales, and 14.4% of vehicles sold in India are equipped with advanced driver assistance systems. Additionally, sport utility vehicles (SUVs) made up 68.6% of Hyundai's total sales in India, up from 60% last year.

In Q2, the company sold 191,939 passenger vehicles, including 149,639 units in the domestic market, driven primarily by SUV sales. Export volume reached 42,300 units. Despite sluggish market conditions, Kim highlighted that the company maintained profitability in H1 FY25 due to proactive cost-control measures. Hyundai is also preparing to launch the Creta EV for the mass market, which Kim anticipates will be a game-changer in the electric vehicle segment.

The company's export market, particularly in West Asia, faced challenges due to the Red Sea crisis. HMIL's average selling price in the domestic market during Q2 stood at approximately ₹7.7 lakh, compared to ₹7.5 lakh in export markets.

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#### **HINDALCO's Q2FY25 PROFIT SOARS 78%, ANNOUNCES \$5 BILLION EXPANSION PLAN**

Hindalco Industries reported a 78% surge in consolidated net profit for Q2FY25, reaching ₹3,909 crore, driven by one-time income from a land sale and robust operational performance. Revenue grew 7.4% year-on-year to ₹58,203 crore, surpassing analysts' expectations of ₹54,984 crore in revenue and ₹3,254 crore in adjusted net income. The company's EBITDA rose 49% to ₹9,100 crore, with the Indian business contributing ₹5,139 crore, doubling from the previous year.

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A land parcel sale significantly boosted other income, which more than doubled to ₹1,075 crore. Hindalco also announced plans to invest \$4-5 billion over the next 2-3 years to expand its upstream capacities in aluminium and copper. This includes adding 180,000 tonnes of aluminium upstream capacity, an 850 Kt alumina refinery, 280-300 Kt of copper smelting capacity, and a copper scrap recycling plant. The company's capex plans have been revised upward by nearly \$2 billion to support these expansions.

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#### **ONGC's Q2 PROFIT CLIMBS 17% ON LOWER TAX BURDEN AMID REVENUE DIP**

Oil and Natural Gas Corporation (ONGC) reported a 17% rise in standalone net profit for Q2FY25, reaching ₹11,984 crore, driven by lower tax expenses following the removal of the windfall tax on petroleum crude. Tax expenses dropped 6.5% to ₹3,052 crore during the quarter, reflecting the impact of the government's decision to scrap the levy introduced in 2022 as global oil prices moderated.

Despite the profit growth, ONGC's revenue from operations fell 3.6% to ₹33,881 crore, missing analysts' expectations of ₹34,056 crore. Standalone earnings exclude contributions from joint ventures and overseas operations. ONGC, responsible for approximately 71% of India's domestic crude oil production, benefited from the eased tax burden, even as operational revenues faced pressure from lower oil prices.

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#### **APOLLO HOSPITALS Q2 PROFIT SOARS 63%, REVENUE UP 15%**

Apollo Hospitals Enterprise Ltd. (AHEL) posted a 63% year-on-year increase in consolidated net profit to ₹379 crore in Q2FY25, driven by strong volume growth in its hospital business. Revenue from operations rose 15% to ₹5,589 crore, with improved performance across all segments. The company's EBITDA grew 30% year-on-year to ₹816 crore.

Healthcare services net profit reached ₹364 crore, marking a 16% year-on-year rise. CFO Krishnan Akhileswaran announced that Apollo HealthCo has achieved breakeven.

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## BANKING, FINANCIAL SERVICES & INSURANCE

### **SBI SURPASSES PROFIT ESTIMATES WITH ₹18,331 CRORE IN Q2, TARGETS ₹1 TRILLION MILESTONE**

State Bank of India (SBI), the country's largest lender, reported a 27.92% year-on-year (YoY) increase in net profit for Q2FY25, reaching ₹18,331 crore, exceeding market expectations. This growth was driven by a 41.52% rise in non-interest income, which included sharp increases in treasury and foreign exchange earnings. Sequentially, net profit rose by 7.61%, although loan-loss provisions nearly doubled to ₹3,631 crore due to regulatory requirements.

SBI's net interest income (NII) grew by 5.37% YoY to ₹41,620 crore, though its net interest margin (NIM) declined by 16 basis points (bps) to 3.27%. Total gross advances rose by 14.93% YoY to ₹39.2 trillion, led by corporate loans (up 18.35%) and retail loans (up 12.3%). Deposits increased by 9.13% to ₹51.17 trillion, with CASA deposits growing 4.24%. However, the CASA ratio dipped to 40.03%.

On asset quality, SBI saw improvements, with the gross non-performing asset (NPA) ratio falling to 2.13% and the net NPA ratio to 0.53%. Fresh slippages for the quarter were ₹4,871 crore, down from ₹7,903 crore in Q1FY25. The provision coverage ratio (PCR), including written-off accounts, improved slightly to 92.21%.

SBI's liquidity coverage ratio stood comfortably at 129%, and the board approved raising ₹20,000 crore through infrastructure bonds. Chairman C.S. Setty emphasized the bank's ambition to achieve ₹1 trillion in operating profit as an immediate goal, with a longer-term vision of reaching ₹1 trillion in net profit. However, the bank acknowledged challenges, particularly in meeting its 12–13% deposit growth target, which may fall short by FY25.

Despite the robust financial performance, SBI's share price fell 1.86% to ₹843.25, attributed to concerns over rising provisions. Looking ahead, SBI anticipates loan

growth of 14–16% and remains cautious about lending to the airline industry, citing risks in the sector.

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### **BFSI SECTOR PROPS UP INDIA INC AS NON-FINANCIAL FIRMS FALTER IN Q2FY25**

In Q2FY25, India Inc faced muted revenue growth, declining margins, and falling profits, with the challenges particularly acute for non-financial companies. While the banking, financial services, and insurance (BFSI) sector outperformed, total corporate profit for 1,353 listed companies declined by 0.6% year-on-year (Y-o-Y) to approximately ₹2.88 trillion, marking the first earnings decline in eight quarters. This compares to a robust 47.4% Y-o-Y growth in Q2FY24 and a modest 1.6% increase in Q1FY25.

Corporate net sales grew by 6.5% Y-o-Y to ₹30 trillion, the slowest pace in four quarters. Non-BFSI firms struggled, with combined net profit dropping 11% Y-o-Y to ₹1.67 trillion, their weakest performance in seven quarters. Slower revenue growth and declining operating profit margins (down by 127 basis points Y-o-Y to 17.1%) were key challenges, driven by rising raw material and employee costs, despite lower fuel and energy expenses.

In contrast, BFSI companies maintained strong earnings momentum, achieving an 18.6% Y-o-Y growth in net profit to a record ₹1.2 trillion and a 14.4% Y-o-Y rise in gross interest income. Despite slowing loan growth and increasing retail lending delinquencies, the BFSI sector remains resilient, with its performance boosted by IT services and consumer durables, which posted double-digit profit growth.

Meanwhile, sectors like oil & gas, automotive, cement, and FMCG weighed on overall earnings. Weak corporate performance in Q2FY25 has prompted analysts to reassess growth projections for FY25 and FY26.

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## FINANCIAL MARKETS

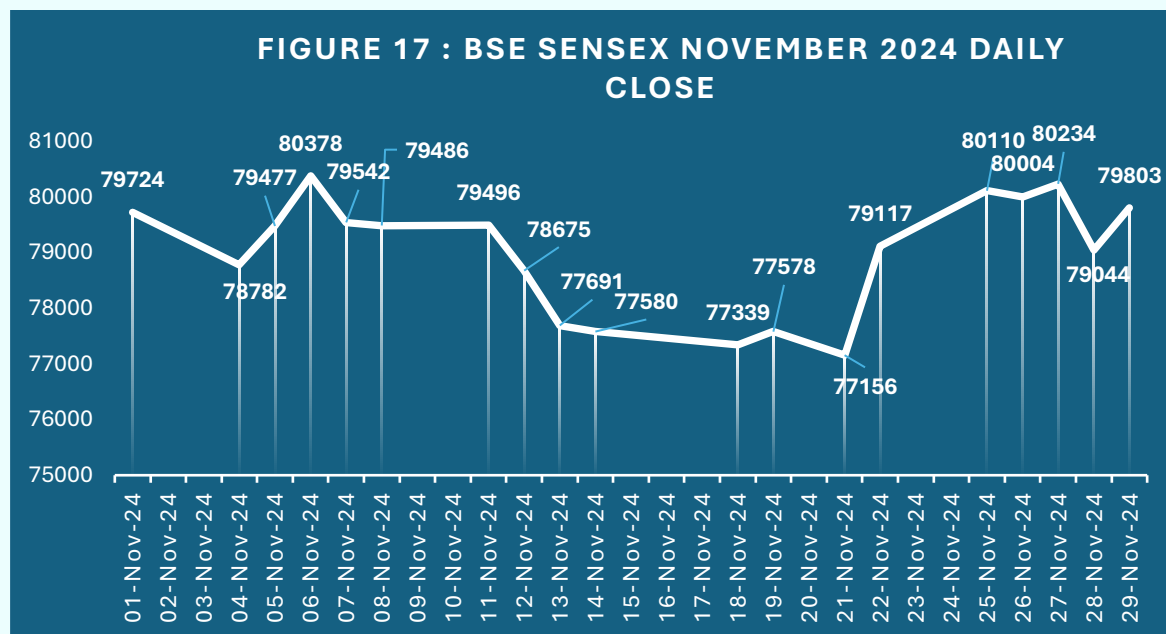
### NOVEMBER 2024: A VOLATILE RIDE FOR INDIAN STOCK MARKETS

November 2024 was marked by high volatility for Indian stock market indices, BSE Sensex and Nifty 50, reflecting broader global uncertainties and domestic challenges. The indices experienced significant fluctuations due to geopolitical tensions, FPI outflows, corporate earnings disappointments, and macroeconomic concerns. Despite intermittent recoveries, both indices ended the month below their peaks.

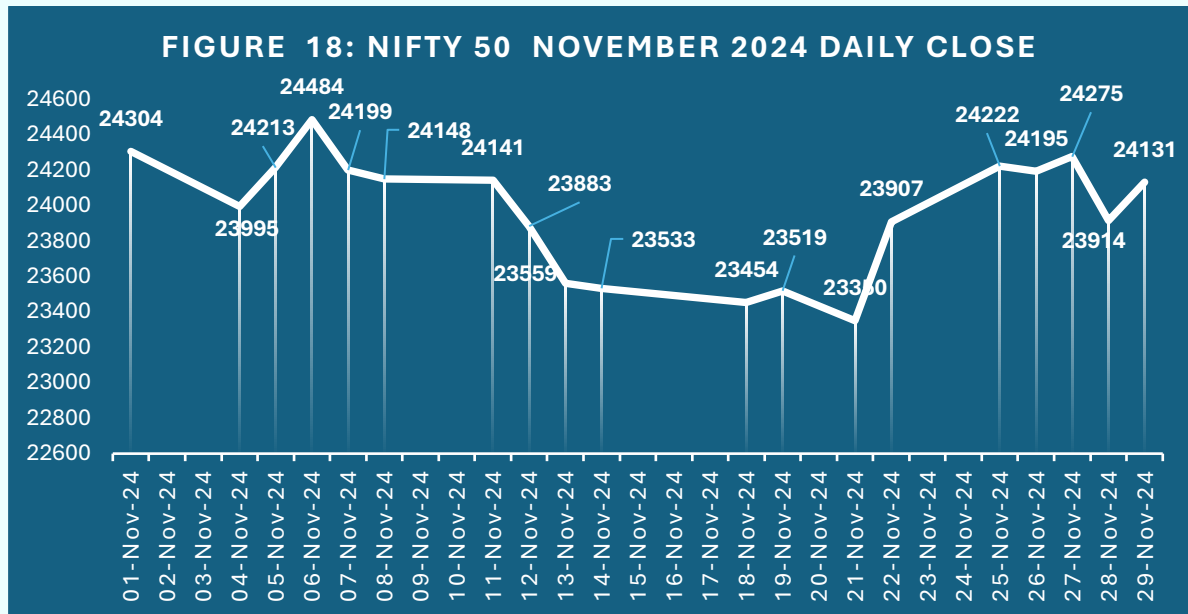
#### Key Highlights

##### *Volatility in Market Movements:*

- The Sensex started November at 79,724 but fluctuated widely, touching lows of 77,156 on November 21 and highs of 80,234 on November 27 (Figure 17 )
- Similarly, Nifty 50 began at 24,304, declining to 23,350 by November 21, before recovering to 24,131 by month-end (Figure 18).



Source: <https://www.bseindia.com/indices/IndexArchiveData.html>



Source: NSE <https://www.niftyindices.com/reports>

#### ***Global Influences and Domestic Pressures:***

- **Geopolitical Tensions:** Uncertainty surrounding the U.S. presidential election and geopolitical developments weighed heavily on investor sentiment.
- **US Federal Reserve's Policy:** Concerns over potential interest rate adjustments due to rising inflation led to risk aversion, triggering outflows from emerging markets, including India.
- **Corporate Earnings:** Disappointing Q2 earnings and subdued consumption trends further exacerbated domestic pressures.

#### ***Foreign Portfolio Investor (FPI) Activity:***

- FPIs were net sellers, with a record **₹11,756 crore outflow** on November 28 alone. This trend was attributed to U.S. dollar strength, higher bond yields, and reallocations to Chinese and Japanese markets.

#### ***Sectoral Trends:***

- IT and auto sectors faced significant pressure amid concerns about US spending and emission penalties.
- Banking and financial stocks oscillated, with sporadic recoveries driven by value buying and MSCI rebalancing.

- Capex-linked sectors like infrastructure and industrials outperformed, buoyed by government spending expectations.

#### ***Recovery Factors:***

- The BJP's victory in Maharashtra elections and short covering in oversold stocks provided brief relief, helping indices recover in the latter half of the month.
- Domestic Institutional Investors (DIIs) stepped in to support the markets, mitigating FPI outflows.

#### **November's Performance Analysis**

| Date        | BSE Sensex | Nifty 50 | Key Events/Observations                                 |
|-------------|------------|----------|---|
| November 1  | 79,724     | 24,304   | Positive start; gains in banking and mid-cap stocks.    |
| November 12 | 78,675     | 23,883   | Inflation concerns; FPI selling intensifies.            |
| November 21 | 77,156     | 23,350   | Adani Group stocks slump amid bribery allegations.      |
| November 22 | 79,117     | 23,907   | Rebound driven by BJP victory and MSCI rebalancing.     |
| November 29 | 79,803     | 24,131   | Recovery sustained; DIIs' inflows balance FPI outflows. |

#### **Market Sentiment and Outlook**

While the market faced significant headwinds, several positive factors could shape the medium-term outlook:

- **Earnings Recovery:** Expected improvements in corporate earnings, particularly in capital goods and consumption-led sectors, could provide support.
- **Policy Measures:** The BJP's strong state electoral performance may signal increased infrastructure investments and capex-led growth.
- **Global Developments:** Any stabilization in US monetary policy or geopolitical tensions could boost FPI confidence.

However, challenges remain, including persistent FPI outflows, high inflation, and global economic uncertainties. Investors should tread cautiously, focusing on sectors with strong fundamentals and government policy backing.

## Conclusion

November 2024 highlighted the interplay of global uncertainties and domestic factors in shaping the trajectory of Indian equity markets. While intermittent recoveries provided hope, the broader sentiment remained cautious. Policymakers and market participants must address structural and cyclical challenges to sustain long-term growth and stability in equity markets.

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## INDIA SLIPS AS CHINA REGAINS MSCI LEADERSHIP WITH STIMULUS BOOST

China has reclaimed its leadership in the MSCI Emerging Markets Investable Market Index (EM IMI) for the second consecutive month, with its weight rising to 24.72% in October 2024, compared to 21.58% in August, driven by a robust rally in Chinese equities fuelled by Beijing's stimulus measures. India's weight in the same index fell to 20.42% from 22.27%, as domestic markets faced foreign outflows and earnings disappointments. While the Shanghai Composite Index surged 25% from September lows, India's S&P BSE Sensex dropped 8% from its September peak.

China also reclaimed its fifth spot in the MSCI All Country World IMI (ACWI IMI) with a weight of 2.67%, up from 2.24% in August, surpassing India and France. However, in the standard MSCI EM Index, China holds a commanding 27.38% weight, while India trails at 18.84%, now behind Taiwan at 19.05%.

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India's market capitalization has grown to \$5.27 trillion, ranking fifth globally, but remains far below China's \$12 trillion. Over the past decade, India's weight in global indices has risen due to strong equity performance and enhanced foreign investment access. India's share in global market cap increased to 4.3% in November 2024, compared to 1.6% in 2013. Analysts, including those from Morgan Stanley, project India's market cap to reach \$6.2 trillion by 2027, nearly triple its 2017 level, though growth expectations for China have been revised downward.

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## SECTION 2

## GLOBAL ECONOMY

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## GLOBAL ECONOMIC OUTLOOK

### RETHINKING DEVELOPMENT IN THE AGE OF DISCONTENT: INSIGHTS FROM THE UNCTAD TRADE AND DEVELOPMENT REPORT 2024

The 2024 *Trade and Development Report* by UNCTAD, titled *Rethinking Development in the Age of Discontent*, paints a nuanced picture of the global economy at a critical juncture. While some regions register positive growth rates, the overall trajectory highlights persistent structural challenges, particularly for developing economies. The report underscores the complexities of achieving equitable and sustainable development against the backdrop of subdued global growth, inflationary pressures, and geopolitical uncertainty.

Global growth is forecast to stagnate at 2.7% in 2024 and 2025, marking a continuation of the post-pandemic economic "new normal." This rate is insufficient to address the pressing developmental and environmental challenges faced by economies in the global South. For instance, only one of the 46 least-developed countries is on track to achieve the Sustainable Development Goal of 7% annual growth. The disparity between required investments and fiscal capacities remains stark, as public debt burdens soar while austerity measures threaten to curtail much-needed developmental spending.

The report identifies the erosion of household purchasing power as a key driver of economic discontent. Inflationary pressures, primarily supply-driven, have persisted post-pandemic, exacerbating inequalities. In both advanced and developing economies, the burden of rising prices and elevated credit costs is undermining consumption and growth. Monetary policy responses, characterized by restrictive stances and delayed easing, have inadvertently compounded financial vulnerabilities in developing countries. Capital outflows, currency depreciations, and increased debt servicing costs are just some of the challenges they face.

The report calls for a balanced approach to tackling inflation and fostering growth. A more comprehensive policy mix—beyond monetary tightening—is advocated to

address anti-competitive practices and corporate concentration, particularly in critical sectors like agrifood and energy. Revisions to regulatory frameworks for commodity trading and enhanced focus on financial stability are also recommended.

A notable theme is the shifting role of industrial policy. While advanced economies are revisiting this tool to drive growth, it remains underutilized in the global South due to concerns over institutional capacity. UNCTAD challenges this perception, highlighting successful cases where industrial policies have catalysed structural transformation. The report also emphasizes the critical intersection of climate policy and development. Record-high temperatures, resource degradation, and biodiversity loss necessitate urgent investment in climate adaptation and mitigation strategies, which could also alleviate inflationary pressures linked to extreme weather.

In the face of geopolitical tensions and fragmented global trade patterns, UNCTAD urges multilateral cooperation to create an enabling environment for development. The report emphasizes the need for equitable international tax systems and innovative financing mechanisms to enhance fiscal space in developing countries. Proposals include global taxation of high-net-worth individuals and corporations, increased concessional finance, and the strategic use of Special Drawing Rights.

The *Trade and Development Report 2024* is a clarion call for rethinking global economic priorities. It underscores that a sustainable and inclusive global economy is achievable only through coordinated efforts that balance immediate economic stabilization with long-term development goals. The report serves as a valuable guide for policymakers navigating the complexities of the contemporary economic landscape.

*The full report is available at:*

[https://unctad.org/system/files/official-document/tdr2024\\_en.pdf](https://unctad.org/system/files/official-document/tdr2024_en.pdf)

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## **G-20 RIO DE JANEIRO SUMMIT**

### **AMBITIOUS AGENDA, LIMITED ACTION: KEY TAKEAWAYS FROM THE G20 RIO SUMMIT**

The Rio de Janeiro Leaders' Declaration, unveiled on the final day of the summit, reiterated the need to treble global renewable energy capacity and double the annual rate of energy efficiency improvements. These goals were framed as achievable through "existing targets and policies."

The summit echoed the New Delhi Leaders' Declaration's call for scaling up climate finance from billions to trillions across all sources. Despite the urgency of this ambition, the declaration did not outline a clear strategy or financial framework to achieve it.

While leaders stressed a "just transition" to sustainable energy systems, they notably avoided direct mentions of phasing out fossil fuels or curbing hydrocarbon investments. This omission drew criticism from climate advocates, particularly given the 2023 G20 estimate that \$4 trillion in annual low-cost financing is required to meet global climate transition needs.

### **Progress on Sustainable Development Goals (SDGs)**

The declaration painted a sobering picture of global progress on the Sustainable Development Goals (SDGs). With just six years left to achieve the 2030 Agenda, only 17% of targets are on track. The document called for accelerated action but lacked specific initiatives to address this shortfall.

### **Geopolitical Challenges and Calls for Peace**

Amid rising global tensions, the G20 summit emphasized the need for ceasefires and comprehensive peace agreements.

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- **Gaza and Lebanon:** The declaration urged an immediate ceasefire and reiterated support for a two-state solution, envisioning an independent Palestinian state alongside Israel.
- **Ukraine:** Leaders advocated for a “comprehensive, just, and durable peace” to resolve the conflict, highlighting its severe impact on global food security, energy stability, and supply chains.

The grouping expressed collective distress over the immense human suffering caused by wars but refrained from assigning blame to any nation for ongoing conflicts, reflecting a careful diplomatic stance.

### **Limited Progress, Lofty Ambitions**

The Rio summit highlighted the G20’s role as a platform for global dialogue but underscored persistent gaps between ambition and action. While the calls for climate finance, renewable energy expansion, and peaceful conflict resolution are commendable, their effectiveness hinges on the development of concrete strategies and accountability mechanisms in future summits.

## **MONETARY POLICY**

### **BALANCING ACT:US FED’S STRATEGIC SHIFT IN MONETARY POLICY**

The minutes from the Federal Reserve’s Federal Open Market Committee (FOMC) meeting held on November 6–7, 2024, reveal a nuanced approach to monetary policy as the US economy navigates a complex environment of moderate inflation, strong labour market conditions, and financial market adjustments. Here's a closer look at the key discussions and their potential implications for stakeholders.

### **Economic Overview**

The US economy continues to expand at a solid pace. Real GDP growth remains strong, underpinned by consumer spending and business investment. However, net exports were a drag on GDP, with imports outpacing exports. Labor market

conditions showed gradual easing, marked by a slight uptick in the unemployment rate to 4.1% and a moderation in wage growth.

Inflation, measured by the Personal Consumption Expenditures (PCE) index, was 2.1% in September 2024, aligning closely with the Federal Reserve's long-term target. Core inflation, excluding food and energy, remained somewhat elevated at 2.7%, reflecting persistent price pressures in specific sectors.

### **Monetary Policy Decisions**

The FOMC reduced the federal funds rate by 25 basis points to a target range of 4.5% to 4.75%. This marks the second rate cut in 2024, following the initiation of policy easing in September. The decision underscores the Fed's commitment to balancing economic growth with the goal of bringing inflation sustainably back to its 2% target.

The minutes highlighted key considerations:

- **Easing Gradually:** The Fed emphasized the importance of recalibrating monetary policy gradually to avoid potential risks of tightening or loosening policy too aggressively.
- **Data-Driven Approach:** Policymakers reaffirmed their dependence on incoming data to guide future adjustments, with particular attention to inflation trends and labour market dynamics.
- **Dual Mandate:** Most participants believe the risks to the Fed's dual mandate—maximum employment and price stability—are roughly balanced.

### **Financial Market Observations**

During the intermeeting period, nominal Treasury yields increased significantly, driven by stronger-than-expected economic data and expectations of a more gradual pace of policy easing. Short-term yields rose due to real yield and inflation compensation increases, while long-term yields were influenced by heightened term premiums.

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Key trends during the period highlighted the resilience and dynamics of global financial markets. Broad equity indices demonstrated notable resilience, rising despite heightened volatility in the lead-up to the U.S. elections. Improved corporate earnings and reduced perceptions of downside risks supported investor sentiment, driving market gains.

In the repo market, overnight repurchase agreement rates experienced a spike during the September quarter-end. However, the minimal usage of the Standing Repo Facility suggested an underlying stabilization within the market.

The US dollar exhibited significant strength, with the trade-weighted dollar index reaching its highest level in 2024. This surge reflected widened interest rate differentials between the U.S. and other advanced economies, further solidifying the dollar's position in global markets.

### **Risks and Forward Outlook**

The FOMC participants expressed cautious optimism about the economic outlook, identifying potential risks:

- **Upside Inflation Risks:** These include potential supply chain disruptions, higher-than-expected shelter prices, and elevated insurance costs.
- **Downside Growth Risks:** Weak global growth, tighter financing conditions, or unexpected labour market deterioration could hinder economic activity.

Financial stability remains a key concern, with notable vulnerabilities in commercial real estate (particularly office spaces) and elevated leverage in some nonbank sectors.

### **Implications for Stakeholders**

- **For Investors:** The Fed's measured approach to rate adjustments offers a more predictable trajectory for financial markets, though volatility could persist amid geopolitical uncertainties and corporate earnings pressures.
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- **For Businesses:** Easing wage pressures and robust productivity gains may support profitability, but risks in the commercial real estate and credit markets warrant caution.
- **For Households:** Stable inflation trends and modest wage growth should alleviate some financial strain, although elevated credit card delinquency rates signal challenges for lower-income segments.

## Conclusion

The November 2024 FOMC meeting reflects the Federal Reserve's delicate balancing act amid an evolving economic landscape. While recent actions aim to sustain growth and contain inflation, the path forward will depend heavily on the interplay of domestic economic conditions and global financial developments.

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## INFLATION, GROWTH, AND UNCERTAINTY: INSIGHTS FROM THE BANK OF ENGLAND'S NOVEMBER DECISIONS

The Bank of England's Monetary Policy Committee (MPC) meeting ending November 6, 2024, reflected the central bank's careful navigation of a mixed economic environment characterized by continued disinflation, resilient domestic inflationary pressures, and global economic uncertainties. Below is an analysis of the key outcomes, implications, and future considerations.

### Policy Adjustment: Rate Cut Amid Progress in Disinflation

The MPC voted by an 8–1 majority to reduce the Bank Rate by 25 basis points to 4.75%. This marks a shift toward a more accommodative stance, acknowledging progress in disinflation as external shocks abate. Despite these developments, domestic inflationary pressures, particularly in services and wage growth, are proving slower to resolve.

#### *Inflation Trends:*

- The Consumer Price Index (CPI) inflation fell to 1.7% in September, largely due to lower goods prices.
- Services inflation, though reduced, remained elevated at 4.9%, reflecting ongoing pressures in core categories.

#### *Labour Market Dynamics:*

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- Wage growth, though easing, persisted at 4.8% in the three months to August, well above pre-pandemic norms.
- Indicators suggest the labour market is loosening but remains tight compared to historical averages.

### **Economic Activity and Fiscal Policy Impact**

- **GDP Growth:** The UK economy grew by **0.5% in Q2 2024, slightly below expectations, and is projected to decelerate to around 0.25%** per quarter in the second half of the year.
- **Autumn Budget 2024:** Fiscal measures, including increases in the National Living Wage and National Insurance Contributions (NICs), are expected to boost GDP by 0.75% at their peak in 2025. However, these measures may raise costs for businesses, potentially affecting profit margins and inflation.

### **Inflation Persistence: Three Scenarios**

The MPC outlined three potential scenarios for inflation persistence, each carrying distinct policy implications:

- **Rapid Dissipation:** Inflationary pressures could ease quickly as global shocks normalise.
- **Economic Slack:** A period of subdued demand might be required to stabilize wages and prices.
- **Structural Shifts:** Persistent changes in wage and price-setting behaviours could necessitate prolonged monetary restraint.

The MPC's baseline projection assumes the second scenario, anticipating a gradual fall in inflation to the 2% target as economic slack builds over the forecast horizon.

### **Dissenting View and Risk Considerations**

Catherine Mann, the lone dissenting voice, voted to maintain the Bank Rate at **5%**, citing risks of entrenched inflationary pressures from higher wages and robust demand. The Autumn Budget's fiscal boost and elevated wage growth could, in her view, sustain inflation above target over the medium term.

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## Global and Domestic Risks

- **External Factors:** The global economic outlook remains fragile, with downside risks emanating from China and Germany. Upside risks to goods and commodity prices persist due to geopolitical developments, including tensions in the Middle East.
- **Domestic Challenges:** The labour market's uncertain trajectory, coupled with the potential inflationary impact of fiscal measures, complicates monetary policy.

## Future Outlook and Implications

The MPC emphasized the need for monetary policy to remain restrictive for an extended period to mitigate inflationary risks. Decisions will be data-dependent, with close monitoring of inflation persistence and labour market dynamics.

For businesses and consumers, the policy signals a cautious but supportive environment aimed at sustaining economic recovery while addressing inflation. Firms should prepare for potential cost pressures from rising wages, while consumers may benefit from easing inflation in goods prices.

## Conclusion

The Bank of England's November 2024 decisions reflect a balancing act between supporting economic growth and ensuring inflation returns sustainably to its target. While progress in disinflation provides room for policy easing, domestic and global uncertainties underscore the need for vigilance.

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## INFLATIONARY TRENDS

### US OCTOBER INFLATION INSIGHTS: MODERATE GAINS MASK PERSISTENT SECTORAL PRESSURES

Consumer Price Index (CPI) for October 2024 presents a nuanced picture of US inflation, highlighting steady overall growth but significant variation across categories. The CPI for All Urban Consumers (CPI-U) rose by 0.2% for the fourth consecutive month (Figure 19), maintaining a 2.6% year-on-year increase (Figure 20). This aligns with the Federal Reserve's target of moderate inflation but underscores challenges in specific sectors.

#### Key Drivers: Shelter and Core Inflation

The shelter index, a major component of the CPI, increased by 0.4% in October and contributed over half of the overall monthly rise. This reflects persistent demand pressures in housing, with the indexes for rent and owners' equivalent rent rising by 0.3% and 0.4%, respectively. Over the past year, shelter costs climbed 4.9%, underscoring their outsized influence on core inflation, which excludes volatile food and energy components.

Core inflation grew by 0.3% in October and 3.3% over the last 12 months, driven by notable gains in categories like used cars and trucks (+2.7%), airline fares (+3.2%), and recreation (+0.4%). However, some components, such as apparel (-1.5%) and household furnishings, experienced declines, suggesting mixed demand dynamics.

#### Food: Modest Increases Amid Divergence

Food prices rose by 0.2% in October, with food at home increasing by 0.1% and food away from home by 0.2%. Among groceries, cereals and bakery products (+1.0%) and dairy products (+1.0%) saw substantial monthly increases, while the meats, poultry, fish, and eggs category fell 1.2%, driven by a sharp 6.4% drop in egg prices.

Year-on-year, food inflation was moderate at 2.1%. Food away from home inflation (3.8%) outpaced food at home inflation (1.1%), reflecting higher input costs for dining services and changing consumer preferences.

## **Energy: A Drag on Inflation**

The energy index was flat in October after a 1.9% decline in September, reflecting contrasting trends within the category. Gasoline prices decreased by 0.9%, continuing a year-long slide of 12.2%, while electricity prices rose 1.2%, and natural gas increased 0.3%. Over the past year, energy prices dropped by 4.9%, driven by sharp declines in fuel oil (-20.8%) and gasoline, providing relief to consumers.

## **Implications and Outlook**

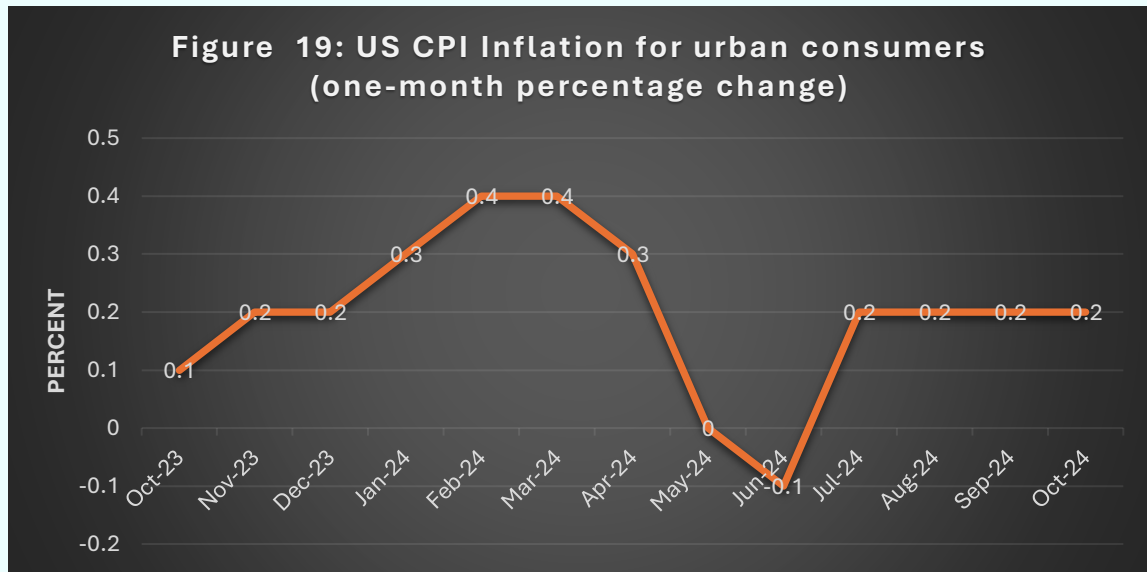
The October CPI report underscores the complex inflation dynamics in the U.S. economy. While the headline inflation rate remains well-contained at 2.6%, core inflation's persistence at 3.3% reflects stickiness in services, especially housing (Figure 20). Additionally, divergent trends in food and energy prices highlight sectoral imbalances.

For policymakers, these numbers suggest that the Federal Reserve may maintain its cautious stance on monetary policy. The stability in month-to-month inflation offers evidence of cooling pressures, yet the resilience in core components could justify a watchful approach to ensure inflation expectations remain anchored.

## **Conclusion**

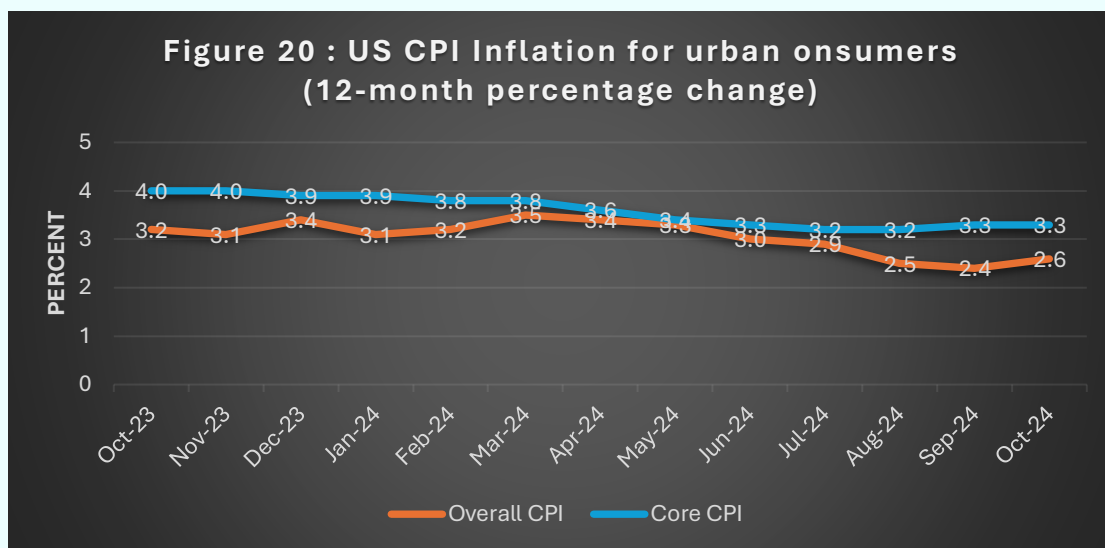
Inflation in October 2024 demonstrates stability at an aggregate level but reveals varied trajectories across its subcomponents. With housing and services exerting upward pressure, and energy prices acting as a counterbalance, the U.S. inflation story is one of moderation accompanied by underlying complexities. Going forward, attention to sector-specific dynamics will be crucial in navigating the path toward sustained price stability.

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*Note: Figures are seasonally adjusted*

*Source: US Bureau of Labor Statistics, US Department of Labor*

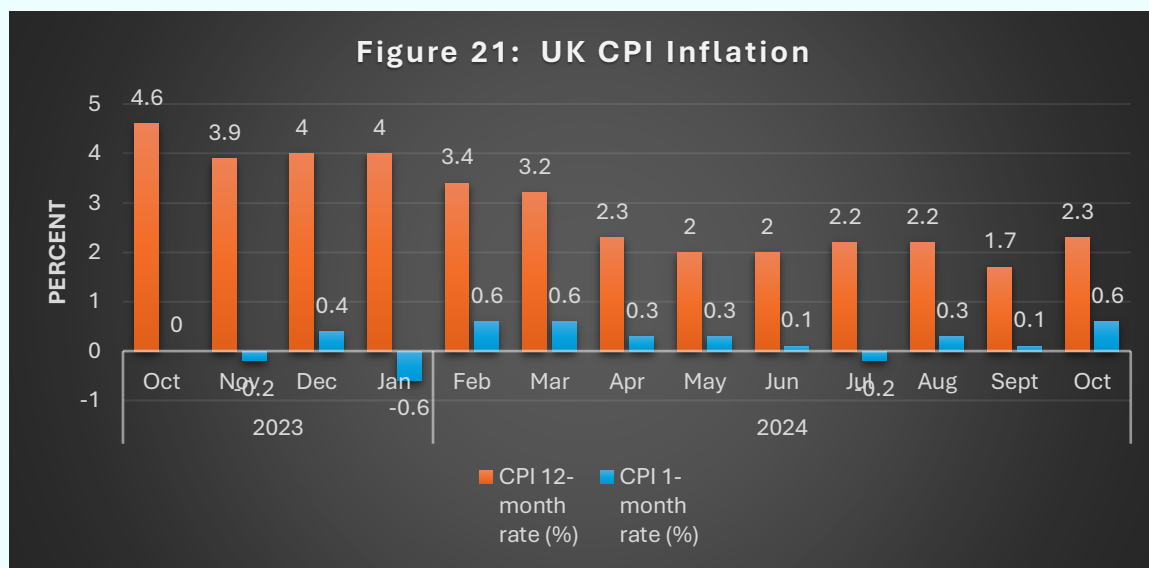


*Note: Figures are not seasonally adjusted*

*Source: US Bureau of Labor Statistics, US Department of Labor*

## UK INFLATION – OCTOBER 2024

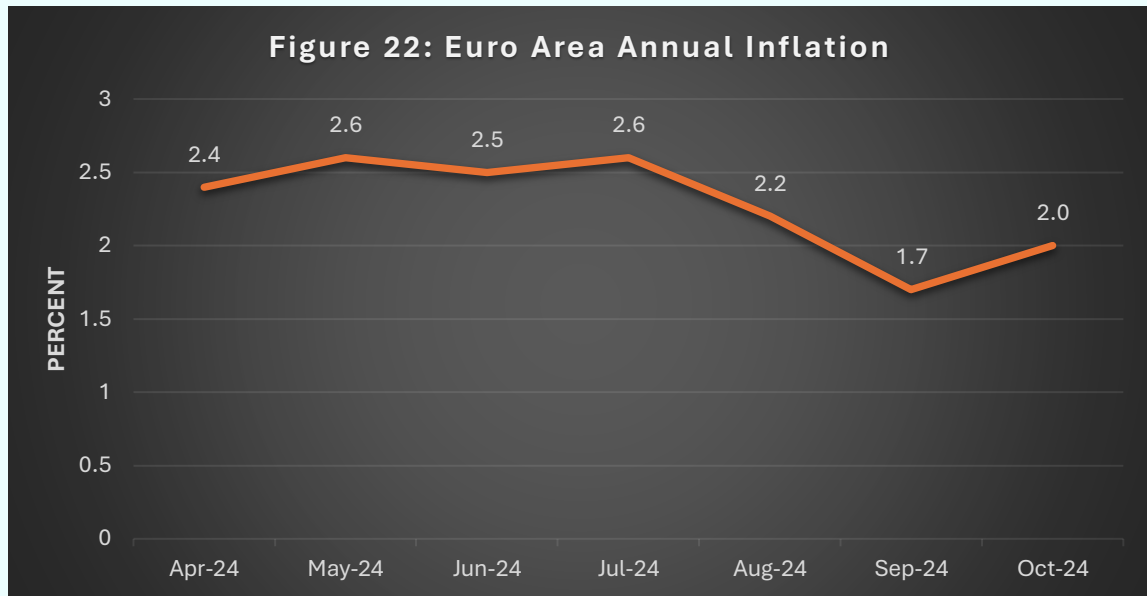
In October 2024, the UK's Consumer Price Index (CPI) inflation rate increased to 2.3%, compared to 1.7% in September 2024 (Figure 21). Additionally, the CPIH rose by 0.6% on a monthly basis, a significant rise from the 0.1% recorded in October 2023 (Figure 21).



Source: Office of National Statistics, UK

#### EURO AREA INFLATION – OCTOBER 2024

In October 2024, the euro area's annual inflation rate reached 2.0%, up from 1.7% in September (Figure 22), aligning with the European Central Bank's target. Key contributors included services at 4.0%, food, alcohol, and tobacco at 2.9%, non-energy industrial goods at 0.5%, and energy, which saw a decline of 4.6%. Among member states, Slovenia had the lowest inflation rate at 0.0%, followed by Lithuania and Ireland at 0.1% each, while Romania recorded the highest at 5.0%, with Belgium and Estonia at 4.5% each.



Source: Eurostat

#### CHINA'S INFLATION – OCTOBER 2024

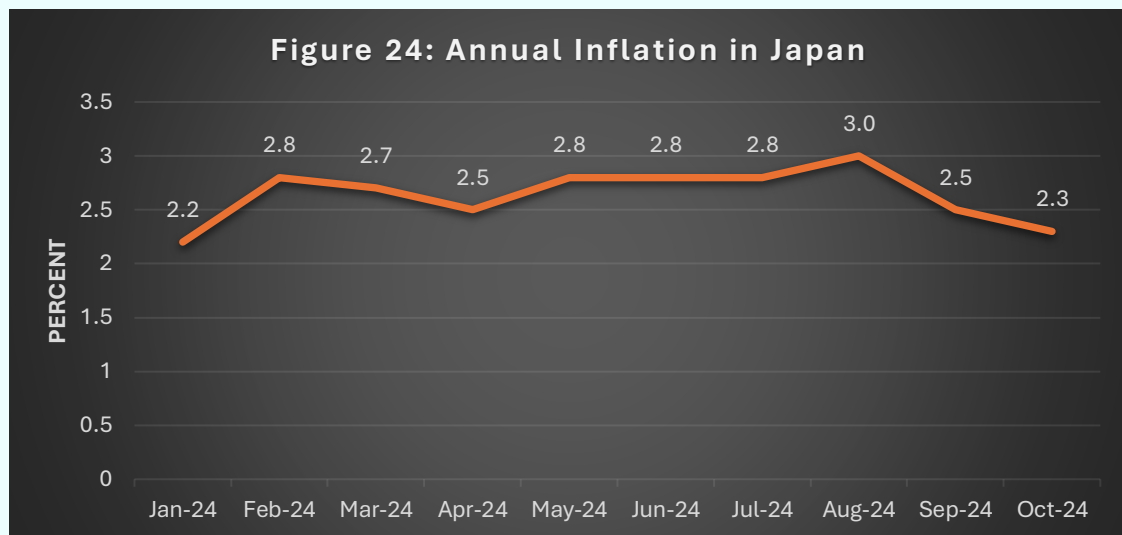
In October 2024, China's Consumer Price Index (CPI) recorded a year-on-year growth of 0.3%, slightly down from 0.4% in September (Figure 23). CPI growth data, tracked monthly since January 1985, averages 2.5% annually. Historically, it peaked at 28.4% in February 1989 and reached a low of -2.2% in May 1999.



Source: <https://tradingeconomics.com/china/inflation-cpi>

## JAPAN'S INFLATION – OCTOBER 2024

In October 2024, Japan's annual inflation rate eased to 2.3% from 2.5% in September, the lowest since January. Electricity prices saw a notable deceleration, rising by 4.0% compared to 15.2% in September, as the impact of May's energy subsidy removal waned. Gas prices and costs for furniture, culture, communication, and education also slowed. However, food, housing, transport, clothing, healthcare, and miscellaneous costs saw faster increases. Core inflation reached a six-month low at 2.3%, slightly above estimates, while monthly CPI rose by 0.4% after a 0.3% decline in September.



Source: <https://tradingeconomics.com/japan/inflation-cpi>



## FOOD & AGRICULTURE

### GLOBAL FOOD PRICES SURGE: KEY DRIVERS BEHIND THE OCTOBER 2024 FAO INDEX

In October 2024, the FAO Food Price Index (FFPI) averaged 127.4 points, reflecting a 2% increase from September and marking the highest level since April 2023 (Table 5). Prices for most commodities in the index, with the exception of meat, saw an upward trend, with vegetable oils leading the charge, rising by 7.3%. Despite this increase, the FFPI remains 20.5% below its peak of 160.2 points reached in March 2022 and 5.5% higher than its value in October 2023.

The FAO Cereal Price Index averaged 114.4 points in October, showing a modest increase of 0.8%, but still 8.3% below its level from a year ago. Global wheat prices rose for the second consecutive month, driven by concerns over adverse weather conditions affecting winter crop sowing in key northern hemisphere exporters such as the European Union, Russia, and the United States. The reintroduction of an unofficial price floor in Russia and rising tensions in the Black Sea region also contributed to the price uptick. Maize prices continued their upward trend, largely due to strong domestic demand in Brazil and logistical challenges caused by low river levels. Other coarse grains saw mixed results, with barley prices rising, while sorghum prices declined. On the other hand, the FAO All Rice Price Index dropped by 5.6%, as lower quotations for Indica rice were driven by expectations of increased competition among exporters following India's removal of export restrictions on non-broken rice.

The FAO Vegetable Oil Price Index, at 152.7 points, saw a sharp rise of 7.3% from September, reaching its highest level in two years. This increase was driven by price hikes across all major oils, including palm, soy, sunflower, and rapeseed oils. Palm oil prices, which rose for the fifth consecutive month, were influenced by lower-than-expected production in Southeast Asia. Similarly, sunflower and rapeseed oil prices saw upward momentum due to anticipated production shortfalls in 2024/25. Soy oil prices also increased, supported by strong global demand and limited availability of alternative oils.

The FAO Dairy Price Index rose to 139.1 points, marking a 1.9% increase from September and a 21.4% rise compared to the previous year. Cheese prices saw the largest increase, driven by limited availability in the European Union amid strong internal demand and reduced milk production. Butter prices continued their ascent for the thirteenth consecutive month, supported by high domestic demand and tight inventories in Western Europe. However, milk powder prices, particularly skim milk powder, declined due to a seasonal rise in milk production in Oceania and weak global demand.

The FAO Meat Price Index averaged 120.4 points in October, showing a slight decline of 0.3% from September but still up by 7.5% year-on-year. Prices for pig meat fell significantly, driven by increased slaughter in Western Europe and weak domestic and foreign demand. Poultry meat prices also declined slightly, pressured by higher export supplies from major producers. In contrast, bovine meat prices rose moderately due to stronger international demand, while ovine meat prices remained stable, supported by increased global demand offsetting a surge in new season supplies from Oceania.

The FAO Sugar Price Index averaged 129.6 points in October, marking a 2.6% increase from September, the second consecutive monthly rise. Despite the increase, sugar prices were still down by 18.6% compared to the previous year. Concerns over the 2024/25 production outlook in Brazil, exacerbated by ongoing dry weather, pushed sugar prices higher. Additionally, rising crude oil prices, which encourage greater use of sugarcane for ethanol production, also contributed to the price increase. However, the weakening of the Brazilian real against the U.S. dollar and improved rainfall in key southern growing areas of Brazil tempered the overall price rise.

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**Table 5: FAO Food Price Index**
*(2014-2016 = 100)*

| <i>Month</i>          | <i>Food Price Index</i> | <i>Meat</i>  | <i>Dairy</i> | <i>Cereals</i> | <i>Vegetable Oils</i> | <i>Sugar</i> |
|-----------------------|-------------------------|--------------|--------------|----------------|-----------------------|--------------|
| <i>October 2023</i>   | <i>120.9</i>            | <i>112.5</i> | <i>114.7</i> | <i>124.8</i>   | <i>120.0</i>          | <i>159.2</i> |
| <i>November 2023</i>  | <i>120.8</i>            | <i>112.0</i> | <i>116.5</i> | <i>121.0</i>   | <i>124.1</i>          | <i>161.4</i> |
| <i>December 2023</i>  | <i>119.2</i>            | <i>111.6</i> | <i>118.8</i> | <i>122.8</i>   | <i>122.3</i>          | <i>134.2</i> |
| <i>January 2024</i>   | <i>117.7</i>            | <i>109.0</i> | <i>118.7</i> | <i>119.9</i>   | <i>122.5</i>          | <i>136.4</i> |
| <i>February 2024</i>  | <i>117.4</i>            | <i>112.5</i> | <i>120.7</i> | <i>113.8</i>   | <i>120.9</i>          | <i>140.8</i> |
| <i>March 2024</i>     | <i>118.9</i>            | <i>114.9</i> | <i>124.0</i> | <i>110.9</i>   | <i>130.6</i>          | <i>133.4</i> |
| <i>April 2024</i>     | <i>119.2</i>            | <i>116.6</i> | <i>123.8</i> | <i>111.6</i>   | <i>130.9</i>          | <i>126.6</i> |
| <i>May 2024</i>       | <i>120.5</i>            | <i>116.7</i> | <i>126.3</i> | <i>118.7</i>   | <i>127.8</i>          | <i>117.1</i> |
| <i>June 2024</i>      | <i>121.0</i>            | <i>118.1</i> | <i>127.9</i> | <i>115.2</i>   | <i>131.8</i>          | <i>119.4</i> |
| <i>July 2024</i>      | <i>120.9</i>            | <i>120.0</i> | <i>127.9</i> | <i>110.7</i>   | <i>135.0</i>          | <i>119.5</i> |
| <i>August 2024</i>    | <i>121.7</i>            | <i>122.0</i> | <i>131.3</i> | <i>110.2</i>   | <i>136.1</i>          | <i>113.9</i> |
| <i>September 2024</i> | <i>124.9</i>            | <i>120.8</i> | <i>136.5</i> | <i>113.6</i>   | <i>142.4</i>          | <i>126.3</i> |
| <i>October 2024</i>   | <i>127.4</i>            | <i>120.4</i> | <i>139.1</i> | <i>114.4</i>   | <i>152.7</i>          | <i>129.6</i> |

Source: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

## GLOBAL FINANCIAL MARKETS

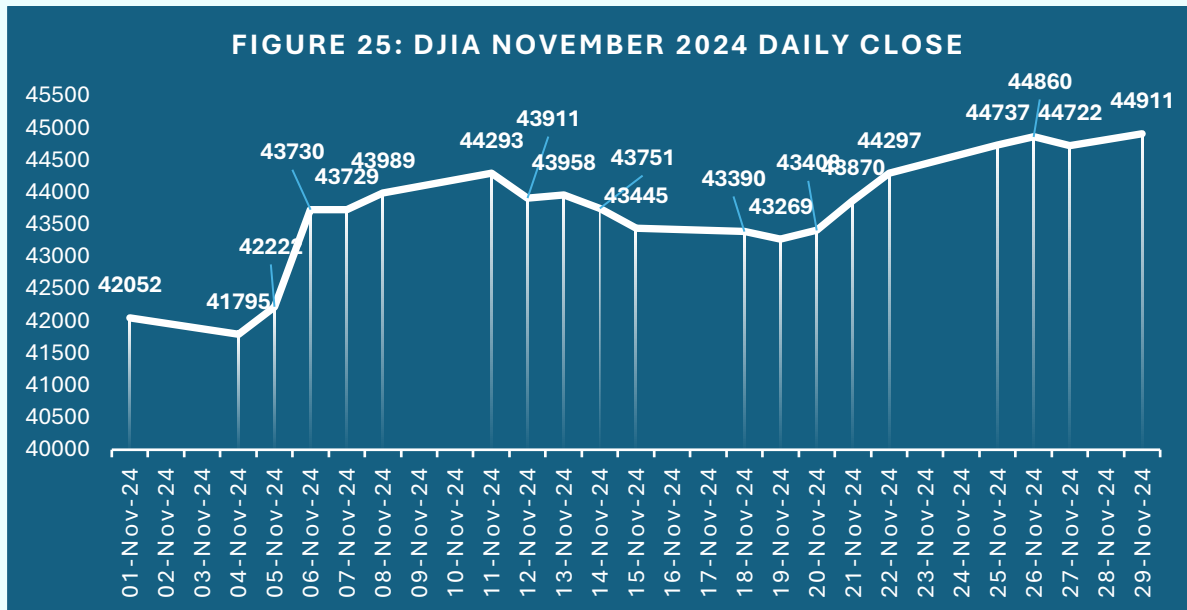
### TECH AND FINANCIALS PROPEL US INDICES TO NEW HEIGHTS IN NOVEMBER

In November 2024, US stock indices showed remarkable performance, reflecting strong investor confidence and a supportive macroeconomic environment. The Dow Jones Industrial Average (DJIA) exhibited significant growth, starting at 42,052 points on November 1 and closing at 44,911 on November 29 (Figure 25). This marked a substantial monthly gain, with a notable rally mid-month and a consistent upward trend toward the end.

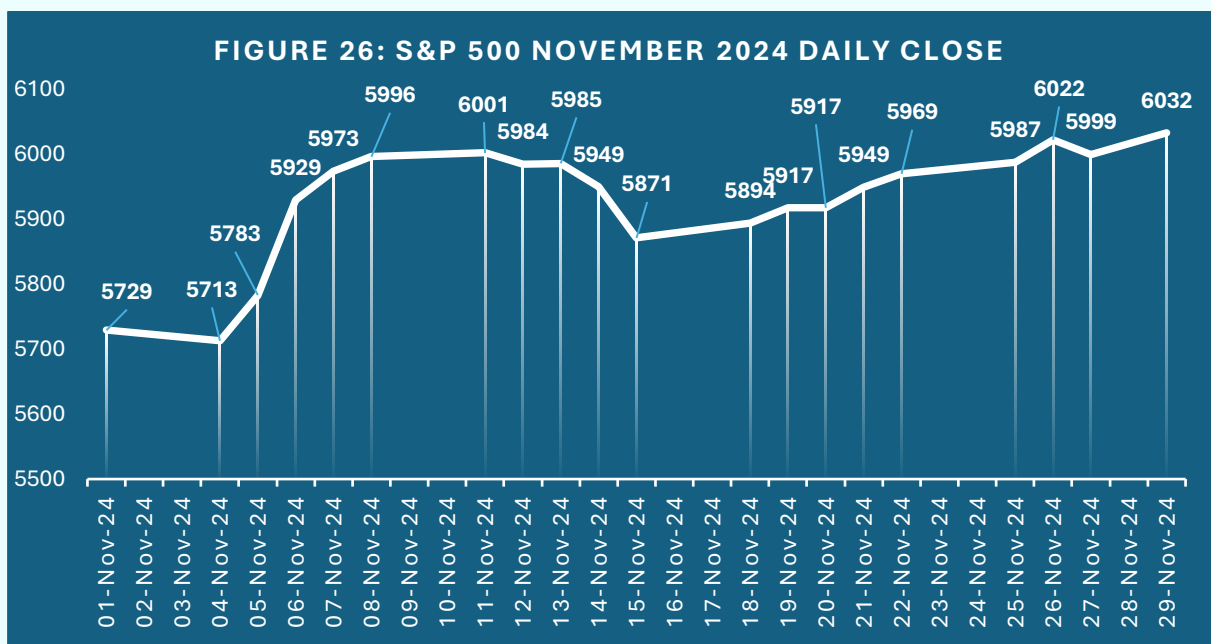
Similarly, the S&P 500 index performed strongly, beginning the month at 5,729 and ending at 6,032 (Figure 26), driven by steady investor optimism. Peaks were observed during the second and final weeks, largely due to robust corporate earnings and sectoral gains. The NASDAQ Composite, characterized by its tech-heavy focus, showcased resilience throughout the month. It opened at 18,240 and closed at 19,218 (Figure 27), supported by gains in major technology stocks despite some mid-month volatility.

Reports from the Wall Street Journal highlighted that November 2024 was one of the strongest months for US stock indices, buoyed by optimism surrounding economic recovery, a softening inflation outlook, and positive corporate earnings. Sectoral gains in technology, healthcare, and financials were significant contributors to this performance. The NASDAQ's rally was particularly driven by mega-cap tech companies, while financial sector gains bolstered the DJIA. Additionally, policy clarity from the Federal Reserve regarding interest rate stability further improved market sentiment.

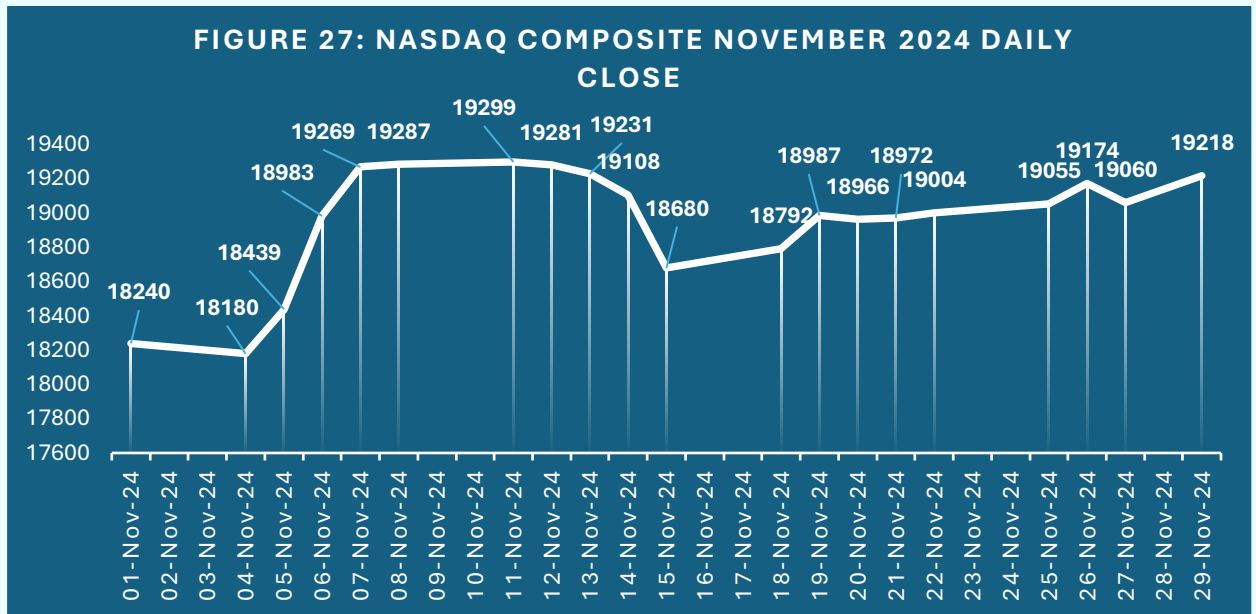
Overall, the performance of US stock indices in November underscored renewed investor confidence and optimism for sustained economic growth. This broad-based rally highlighted the resilience of the US economy and the favourable conditions for equity markets during the period.



Source: <https://www.wsj.com/market-data/quotes/index/DJIA/historical-prices>



Source: <https://www.wsj.com/market-data/quotes/index/SPX/historical-prices>



Source: <https://www.wsj.com/market-data/quotes/index/COMP/historical-prices>

## SECTION 3

# RESEARCH DIGEST

## SYNOPSIS OF RESEARCH PAPERS

### **LIQUIDITY TRAPS: A UNIFIED THEORY OF THE GREAT DEPRESSION AND GREAT RECESSION**

Gauti B. Eggertsson and Sergey K. Egiev

*NBER Working Paper 33195 November 2024*, National Bureau of Economic Research

This paper presents a unified framework to explain major economic downturns such as the US Great Depression, the Great Recession, and Japan's Long Recession. It argues that both temporary disruptions (like banking crises or excessive debt) and structural factors (such as demographic decline and rising inequality) can push natural interest rates into negative territory, leading to economic stagnation. A negative natural interest rate and the zero lower bound (ZLB) are necessary for a liquidity trap, where traditional monetary policy becomes ineffective.

The paper highlights the role of credible monetary policy in mitigating the adverse effects of liquidity traps. However, when monetary policy credibility is diminished or the negative natural rates persist, fiscal interventions may become necessary. The authors explore how these dynamics have played out in past recessions, particularly noting that coordinated monetary and fiscal policies were effective during the Great Depression.

Looking forward, the paper raises the possibility of a "new normal" characterized by persistently low interest rates, similar to Japan's experience. If secular drivers like rising inequality and demographic shifts continue, liquidity traps may become more frequent, and fiscal policy would need to play a more active role in stabilization.

The paper concludes by stressing that the risk of prolonged economic contractions remains a significant concern, as seen during the Great Depression. Vigilant and creative macroeconomic policies will be crucial for addressing these challenges, given their potential impact on economic growth, social cohesion, and political stability.



The central takeaway is that understanding liquidity traps requires accounting for both fast-moving shocks and slow-moving structural trends. The framework suggests that in an era of low natural interest rates, policymakers must be prepared to adjust both monetary and fiscal strategies to stabilize the economy.

*The full paper is available at:*

[https://www.nber.org/system/files/working\\_papers/w33195/w33195.pdf](https://www.nber.org/system/files/working_papers/w33195/w33195.pdf)

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#### **HOW DOES FISCAL POLICY AFFECT THE TRANSMISSION OF MONETARY POLICY INTO CROSS-BORDER BANK LENDING? CROSS-COUNTRY EVIDENCE**

Swapan-Kumar Pradhan, Előd Takáts and Judit Temesvary

*BIS Working Paper No 1226, November 2024*

Bank for International Settlements

The authors utilize a rarely accessed BIS database on bilateral cross-border bank claims by bank nationality to analyse the interplay between monetary and fiscal policies. Their findings reveal significant interactions: the transmission of monetary policies from major currency issuers is strongly influenced by the fiscal stance of the lending banking systems in source countries. Fiscal consolidation in a source country amplifies the impact of currency issuers' monetary policy on lending.

For example, a reduction in Germany's debt-to-GDP ratio intensifies the negative effects of US monetary tightening on USD-denominated cross-border lending outflows from German banks. These interaction effects are particularly pronounced for US monetary policy, with the strongest transmission effects observed in lending to non-banks.

The analysis integrates cross-country data on monetary policy and fiscal debt with the BIS dataset, showing that fiscal consolidation in home countries magnifies the effects of monetary policies of major international currency issuers (USD, EUR, JPY, GBP, and CHF) on cross-border lending flows. For instance, German fiscal tightening exacerbates the reduction in USD-denominated cross-border lending from German banks in response to US monetary policy tightening.

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The results have important policy implications:

**For central banks in borrower countries:** The dependency of monetary policy transmission on government debt evolution is critical for assessing credit supply conditions.

**For global bank regulators:** Understanding how sovereign debt dynamics affect lending outflows helps gauge systemic impacts on global banking systems.

**For central banks of leading currencies:** Insight into source-country fiscal stance changes enables more accurate assessment of spillback effects on domestic financial conditions.

This study highlights the intricate linkages between fiscal and monetary policies in shaping global cross-border lending dynamics, underscoring the need for coordinated policy approaches in managing these interactions.

The full paper is available at: <https://www.bis.org/publ/work1226.pdf>

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## GLOBAL CONTAGION OF FINANCIAL REFORMS

Nan Li, Chris Papageorgiou, Tong Xu, and Tao Zha

*IMF Working Paper WP/24/243 November*  
International Monetary Fund

The authors develop an extensive database on domestic financial reforms encompassing 90 countries from 1973 to 2014. Using this comprehensive dataset, they estimate a structural model that integrates various factors identified in existing literature to explain the global contagion of financial reforms. Their research highlights a significant surge in financial liberalization between the late 1980s and late 1990s, peaking around 2000 before stabilizing toward the end of the sample period. The study also documents reversals in financial reforms triggered by the Global Financial Crisis (GFC).

The analysis reveals two key findings: (1) geopolitical influence and cross-country learning were the main drivers of the global wave of financial reforms during the

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1990s, and (2) the reversals observed in developing countries after the GFC were largely shaped by changing perceptions about the reforms' impact on economic growth. A comparative analysis ("horse race") underscores the limited role of democratization, non-GFC economic crises, and global interest rates in driving financial reforms, especially in developing economies. The findings emphasize how geopolitical influence facilitated the spread of financial reforms through cross-country learning during the 1990s surge in liberalization.

The authors suggest further exploration of how subindices of financial liberalization interact with one another and with other reforms, such as those targeting product markets and external sectors. While the proposed model accommodates multiple reform series within a unified framework, its estimation is currently constrained by computational limitations. The authors express optimism that advances in computational technology will enable more comprehensive studies in the future, building on the framework and findings of this research.

*The full paper is available at: <https://shorturl.at/TenHQ>*

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## **RATIONALISING PUBLIC DISTRIBUTION SYSTEM IN INDIA**

Raya Das, Ranjana Roy and Ashok Gulati

*Policy Brief # 28 November 2024*

Indian Council for Research on International Economic Relations (ICRIER)

India's Public Distribution System (PDS), which provides free foodgrain to over 813.5 million beneficiaries under the National Food Security Act (NFSA), has grown significantly over the years despite economic progress. However, a study by Raya Das, Ranjana Roy, and Ashok Gulati highlights persistent inefficiencies, as about 28% of the allocated grain fails to reach intended beneficiaries, causing an annual monetary loss of ₹69,108 crore.

Originally launched as a targeted system in 1997-98, the PDS underwent major reforms with the NFSA in 2013, expanding coverage to 67% of the population. Additional provisions, such as free foodgrain under the Pradhan Mantri Garib Kalyan

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Anna Yojana during the pandemic, have further amplified the system's scale and cost, with the food-subsidy bill for 2023-24 budgeted at ₹2.05 trillion. While technological advancements have reduced leakages from 46% in 2015 to 28%, inefficiencies remain significant.

Moreover, the programme falls short in addressing nutritional deficiencies, as over 30% of children under five are underweight, and over 15% of adults have a low body mass index. Given the high costs, inefficiencies, and limited nutritional impact, a reassessment of the PDS is needed. With multidimensional poverty declining, the number of beneficiaries should be revisited, and the feasibility of cash transfers, which are more efficient and easier to manage, should be explored as an alternative to in-kind food subsidies.

*The full paper is available at: <https://icrier.org/pdf/pb-27.pdf>*

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## SUMMARY OF OPINION ARTICLES FROM INDIAN PUBLICATIONS

### GLOBAL ELECTIONS SHOW VOTERS' WRATH AGAINST RISING INFLATION LEVELS

The recent electoral defeats of incumbent parties in developed economies, notably the US, highlight the potent political impact of inflation. The Democratic Party's loss in the presidential election, while attributed to factors like Joe Biden's second-term bid, demographic shifts, and disillusionment among Hispanic voters, appears fundamentally driven by voter discontent over inflation. This trend is global, with every ruling party in developed economies losing vote share, a record-breaking phenomenon linked to post-pandemic inflation.

Key insights underline the persistent political consequences of inflation. Voters focus on absolute price levels rather than trends, penalizing governments even when inflation moderates. Technocratic measures targeting specific price issues or blaming corporations for "greedflation" fail to resonate. Aggregate wage data also masks localized voter grievances; for instance, despite real wage growth, rising housing and transport costs have fuelled resentment. Additionally, a tight labour market—often deemed politically advantageous—proved less impactful than persistent service price inflation.

Moreover, ambitious industrial policies, such as the US push for unionized manufacturing jobs, have yielded little political gain. Communities and unions offered minimal support, while alienated rivals, such as Elon Musk, bolstered opposition campaigns.

These outcomes reaffirm the primacy of price stability in macroeconomic policy. The political turbulence of the 1970s inflation era underscores the need for traditional economic prudence, including controlled deficits, tax hikes, and central bank independence. The post-pandemic shift toward expansive state intervention has drawn voter backlash, signalling the need for a return to disciplined fiscal and monetary strategies.

*This is a summary of the article by Mihir Sharma, Business Standard, 17 November 2024. The full article is available at: <https://shorturl.at/Uy1q3>*

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## **INDIA MUST ACT RIGHT AWAY AGAINST AN EMERGING SCARCITY OF FRESH WATER**

Sudipto Mundle highlights four technological revolutions—energy transformation, artificial intelligence, biotechnological advances, and the emerging global water crisis—as fundamental challenges reshaping the world. This latest crisis stems from the issue of scarce fresh water supplies rather than an absolute lack of water. While over 70% of Earth's surface is covered by water, only 2.5% is fresh water, with just 1% being surface water readily available for consumption. Climate change, population growth, and agricultural demands are compounding the problem.

Freshwater consumption has surged by 600% over the last century, with agriculture accounting for 70% of global use. India faces unique challenges, including dropping water tables, shrinking rivers, and a dependence on agriculture-driven demand. While conservation efforts, particularly in farming, have been proposed, Mundle stresses that meeting growing demand will require addressing supply through technological interventions, primarily desalination.

Desalination technologies like multi-stage flash distillation and reverse osmosis (RO) are the leading solutions. While energy-intensive, costs are declining, with RO being less expensive and more widely implemented globally. Although some 177 countries have desalination plants, India has yet to capitalize on its extensive 7,000 km coastline's potential for large-scale desalination projects. Mundle calls for strategic government investments in desalination as part of the Modi government's infrastructure priorities to ensure long-term water security for India.

*This is a summary of the article by Sudipto Mundle, Mint 28 November 2024.*

*The full article is available at: <https://shorturl.at/DfPtx>*

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## **TAX ACTION IN THE UNION BUDGET FOR 2025-26 COULD SET THE COURSE FOR VIKSIT BHARAT**

Chandrajit Banerjee emphasizes the Indian government's ongoing effort to balance fiscal prudence with growth by simplifying taxation and promoting ease of tax compliance. The 2024-25 budget has laid a strong foundation to foster economic resilience, with targeted measures aligning with India's vision of becoming a "Viksit Bharat" (developed India) by focusing on strategic investments and reforms.

One notable proposal is a comprehensive review of the Income Tax Act of 1961, along with a full-scale assessment of the direct and indirect taxation system. Banerjee suggests that an expert committee involving industry participation could be set up to further these reforms. Addressing high tax litigation is also critical, as the number of appeals before tax authorities remains substantial. The budget could prioritize reducing the number of disputed tax cases and streamlining the process for faster refunds and tax credit resolutions by improving the Central Processing Centre's efficiency.

On indirect taxation, the government has prioritized simplifying the GST and rationalizing customs duties, with specific adjustments proposed for sectors such as electronics, pharmaceuticals, critical minerals, and precious metals. A strategic proposal by the Confederation of Indian Industry (CII) suggests a three-tiered tariff structure to ensure competitiveness while allowing Indian industries time to adjust. Additionally, a one-time tax dispute settlement scheme for MSMEs may foster trade and ease liquidity challenges.

Banerjee advocates for GST 2.0 reforms, including the introduction of a three-rate tax structure, broader input tax credit coverage, and the inclusion of petroleum products under GST. This would reduce tax cascading effects and encourage compliance while broadening revenue collection.

Furthermore, there is a strong emphasis on broadening the tax base to mobilize higher resources. Banerjee highlights that out of 75.5 million income tax filers in the 2023-24 assessment year, 63% paid zero tax, while only 5% of taxpayers contributed 73.5% of total revenue. To address this imbalance, the government could promote digital

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transactions by incentivizing financial institutions like cooperative banks to adopt UPI payments and encouraging businesses to prioritize digital transactions. These steps would also create digital financial trails that could reduce tax evasion.

Banerjee concludes that the Indian government has consistently aimed to build a tax ecosystem that is simple, efficient, and competitive. The budget for 2025-26 is expected to make further strides toward these objectives, with continued reforms and efforts to strengthen the taxation system for the long term.

*This is a summary of the article by Chandrajit Banerjee, Mint 26 November 2024.*

*The full article is available at: <https://shorturl.at/RouEP>*

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#### **AN UNINTENDED CONSEQUENCE OF POLICY**

The concept of unintended consequences highlights how even well-meaning policies can lead to unforeseen problems, a notion exemplified by Delhi's severe air pollution. According to the latest Economic Survey, Chapter 11 examines this through satellite imagery of Moga district, Punjab, which shows a two-to-three-week delay in kharif crop sowing from 2005 to 2021. This delay has caused the kharif harvest to overlap with the rabi sowing cycle, forcing farmers to rely on stubble burning to clear fields—a key contributor to toxic air in the Delhi-NCR region.

This problem stems from a Punjab government policy introduced to combat groundwater depletion. The policy, which delayed the sowing cycle, had the unintended effect of worsening air quality by increasing stubble burning. Historically, the Green Revolution in Punjab in the 1960s, driven by minimum support prices (MSP) and government incentives for rice production, led to monoculture farming with heavy dependence on groundwater and chemical fertilizers. This shift caused soil depletion and a sharp decline in water tables.

Efforts to tackle the groundwater crisis began with experimental policies in 2008 and the Punjab Preservation of Subsoil Water Act (2009), which delayed the sowing cycle by two weeks and penalized violations. This improved groundwater levels

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temporarily but exacerbated air pollution by encouraging stubble burning. Neighbouring Haryana followed suit with a similar law.

The article emphasizes that the overreliance on rice-wheat farming cycles and delayed sowing policies have led to severe environmental costs. To mitigate this, it is essential for states to shift farmers away from the rice-wheat monoculture and find sustainable alternatives. Without systemic intervention and diversification, the ecological and air quality crises will only worsen.

*This is a summary of the article by Aasheerwad Dwivedi and Aditya Sinha, Financial Express 21 November 2024.*

*The full article is available at: <https://shorturl.at/zwkIj>*

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## SUMMARY OF BLOGS FROM MULTILATERAL INSTITUTIONS

### G20 ECONOMIES SHOULD TARGET REFORMS TO BOOST MEDIUM-TERM GROWTH PROSPECTS

Paula Beltran Saavedra, Nicolas Fernandez-Arias, Chanpheng Fizzarotti, Alberto Musso

Growth in most G20 economies is expected to weaken over the next five years, remaining significantly below pre-pandemic levels. While growth prospects are stronger across the African Union (AU), booming populations necessitate job creation for millions of young labour market entrants. A shared priority for both groups is reforming fiscal policy frameworks to support sustainable government budgets.

Enhancing growth is critical for all economies in these groups, as well as for the European Union (EU). Implementing well-sequenced structural reforms aligned with social consensus can significantly improve medium-term growth, according to a new report to the G20. Challenges such as subdued productivity, adverse demographic trends, elevated public debt, and rising geoeconomic fragmentation further underscore the need for growth-oriented reforms.

For advanced G20 and EU economies, tighter public spending limits are recommended, while G20 emerging markets and developing economies should focus on boosting government revenues. AU economies, meanwhile, would benefit from improved fiscal transparency. Across G20 and AU nations, two key reform areas stand out: enhancing education and skill training to align with job market demands, and accelerating the energy transition through renewable energy investments, effective carbon taxes, and the elimination of fossil fuel subsidies. Additionally, AU economies urgently need governance reforms to strengthen the rule of law, combat corruption, and improve public financial management.

*This is a summary of the IMF Blog, November 2024*

*The full blog is available at: <https://shorturl.at/tkqtq>*

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## THE COST OF INACTION: FAILING TO ACT ON CLIMATE CHANGE THREATENS ASIA AND THE PACIFIC

David A. Raitzer's blog underscores the alarming and irreversible effects of climate change, even if all greenhouse gas emissions were halted immediately. The blog explains that the atmospheric concentration of CO<sub>2</sub> has reached 422 parts per million—50% higher than preindustrial levels—and that global warming has already caused the planet to warm by 1.46°C above preindustrial averages, with 1.5°C already breached in 2023.

The blog emphasizes that the rate of warming is accelerating, with the past decade (2014–2023) being the hottest on record. Furthermore, feedback mechanisms like the thawing of permafrost and the warming oceans could drive even greater warming, with risks of a high-end emissions scenario leading to devastating effects. Tipping points are becoming evident as ecosystems like tropical forests and peatlands, once key carbon sinks, are being transformed into carbon sources due to forest fires and other climate-induced changes.

Key risks under high-emissions scenarios include:

- **Extreme heatwaves:** Southeast Asia could see heat waves lasting over half the year by 2100, reducing labour productivity by up to 30% and driving higher energy consumption.
  - **Stronger and longer cyclones:** Storms in East and Southeast Asia would intensify, with cyclones expected to double in destructive power by 2100 compared to historical trends.
  - **Sea-level rise:** Global sea levels could rise by 0.8 meters by 2100, with areas in Asia and the Pacific experiencing sea-level rises at double the global average. This would displace millions and result in costs up to \$3 trillion annually by 2070.
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- **Floods and landslides:** Intensified rainfall and storms will increase riverine flooding, potentially affecting up to 110 million people annually under high-emissions scenarios by 2070, with damages costing trillions of dollars.

The economic costs are dire: under a high-emissions scenario, the Asia-Pacific region could lose 17% of its GDP by 2070, with vulnerable countries facing losses as high as 78%. These losses stem from climate impacts on agriculture, fisheries, forests, and extreme weather patterns disproportionately affecting poorer populations.

The blog concludes that climate change is already causing irreversible damage, and delaying action will only worsen the situation. Immediate adaptation and mitigation are necessary to address these risks and reduce the devastating consequences for billions of people in Asia and the Pacific.

*This is a summary of the ADB Blog by David A. Raitzer, Asian Development Bank, 22 November 2024.*

*The full blog is available at: <https://shorturl.at/TVG38>*

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## BOOKSHELF CHRONICLES

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### RATAN TATA: A LIFE

Author: Thomas Mathew

Publisher: Harper Collins India

Year of Publication: 2024

*Ratan Tata: A Life* authored by Thomas Mathew, is an eagerly anticipated and comprehensive biography exploring the extraordinary life of Ratan Tata, one of India's most iconic business leaders. Drawing on over 130 interviews and extensive research into personal and corporate archives, Thomas Mathew provides a detailed narrative of Tata's journey from his early years to his pivotal role as Chairman of Tata Sons and his philanthropic leadership with Tata Trusts.

The book delves into key milestones, from Ratan Tata's first job with the Tata Group to his achievements in steering it towards global expansion during his tenure. The narrative portrays Tata's unwavering commitment to values, vision, and innovation—qualities that cemented his role as one of the most respected corporate leaders globally. *Ratan Tata: A Life* provides readers with a deep understanding of his leadership style, his ability to overcome challenges, and his significant contributions to India's industrial and social development.

The book spans 696 pages, including 32 pages of photographs, offering both personal anecdotes and insights into his role in reshaping corporate India.

Thomas Mathew, the author, is a retired Indian Administrative Service officer with extensive experience in international relations and corporate policy. His unique vantage point and familiarity with Tata's corporate journey make this biography both insightful and essential reading for anyone interested in India's corporate history and leadership evolution. The book promises to be a definitive account of Ratan Tata's inspiring journey.

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## BEHOLD THE LEVIATHAN: THE UNUSUAL RISE OF MODERN INDIA

Author: Saurabh Mukherjea and Nandita Rajhansa

Publisher: Penguin Business

Year of Publication: 2024

*Behold the Leviathan: The Unusual Rise of Modern India* is an illuminating exploration of India's unique and unprecedented socio-economic trajectory. The authors challenge traditional narratives by highlighting how India's economic progress has been largely driven by its most disadvantaged groups—women, oppressed castes, and rural communities—making this transformation both unusual and unexpected. Additionally, they contrast this modern economic rise with past assumptions, particularly the perception that India's democratic framework was inferior to China's single-party state until recent years.

This comprehensive analysis relies on the authors' extensive travels across India, conducting interviews with over 50 influential policymakers, business leaders, and academics. Their findings show how India's 1.5 billion people are uniting to achieve unparalleled social and economic outcomes, such as India producing as many chess grandmasters as the United States and achieving a historic moon landing through advanced space exploration. The book delves into why most companies in India struggle with profitability, while a small segment has emerged as global players with massive franchises.

The authors examine the role of technological progress and government reforms, such as the JAM (Jan Dhan, Aadhaar, Mobile) trinity and digital payment systems like UPI, in transforming economic participation for marginalized groups. Additionally, they explore the role of Global Capability Centres (GCCs), which represent an economic shift where IT, HR, and other office jobs are being concentrated in smaller Indian towns rather than just metropolitan hubs, bolstering employment opportunities.

The book also emphasizes regional economic disparities, focusing on the remarkable rise of peninsular states like Tamil Nadu as examples of structural diversification and industrialization. Moreover, the authors touch on key geopolitical shifts, such as the

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changing dependence on supply chains from China, highlighting opportunities for India to benefit from this shift through strategic industrial growth and reforms.

Praised as a "firecracker of a read," *Behold the Leviathan* is both a forward-looking economic analysis and a call for policymakers to rethink India's development trajectory. The book provides a nuanced, balanced view that acknowledges challenges while underscoring India's remarkable economic promise. Mukherjea and Rajhansa challenge long-held assumptions about India's growth story, offering readers insights into both its historical context and future potential

## SECTION 4

# CLIMATE CHANGE



## **COP 29 IN FOCUS: CLIMATE FINANCE, FOSSIL FUELS, AND THE FIGHT FOR A GREENER FUTURE**

### **FROM BAKU TO BRAZIL: COP29'S MISSED OPPORTUNITIES AND THE ROAD AHEAD**

The 29th Conference of the Parties (COP29) in Baku, Azerbaijan, concluded amid controversy, leaving mixed impressions on its ability to navigate global climate challenges. From ambitious climate finance targets to contentious negotiations on fossil fuel transitions, the summit reflected the complexities of international climate diplomacy in an era of heightened geopolitical tensions and economic pressures.

#### **Key Agreements and Tensions**

##### ***Climate Finance Goals:***

- Developed countries committed to channelling \$300 billion annually to developing nations by 2035. However, this fell far short of the \$1.3 trillion demanded by developing nations, who expressed discontent with the reliance on private investment for achieving the broader figure.
- The compromise highlighted ongoing divides between the Global North and South, with developing countries perceiving the outcome as insufficient for addressing their climate adaptation and mitigation needs.

##### ***Fossil Fuel Transition Delayed:***

- A pivotal agreement to transition away from fossil fuels, initiated at COP28, faced significant resistance. The final decision on implementing these measures was deferred to COP30 in Brazil, underscoring a lack of consensus on this critical issue.
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### ***Article 6 Completion:***

- COP29 achieved a breakthrough by finalizing all components of Article 6, which governs carbon markets under the Paris Agreement. This milestone marked progress toward enabling international carbon trading but faced criticism for potential loopholes and weak safeguards.

### **Adaptation and Loss & Damage:**

- Progress on adaptation frameworks, such as the Global Goal on Adaptation (GGA), was marred by disputes over finance and "transformational adaptation." Similarly, the loss and damage fund launched at COP28 saw incremental capital pledges, but the gap in addressing broader financing needs remained evident.

### ***Just Transition Work Programme:***

- Talks on the just transition program stalled, reflecting a divide between developed nations' emphasis on mitigation and developing nations' focus on finance and adaptation. The absence of an actionable workplan highlighted the challenge of balancing diverse priorities.

### **Controversies and Political Underpinnings**

The Azerbaijani presidency faced accusations of malpractice, including allegations of conflict of interest given the nation's reliance on fossil fuel revenues. The summit also unfolded against the backdrop of Donald Trump's re-election, raising concerns about diminished U.S. climate leadership and its impact on multilateral negotiations.

Developing countries, notably India and Nigeria, criticized the COP presidency for sidelining their objections during critical decision-making processes. Walkouts by blocs such as the Least Developed Countries (LDCs) and Alliance of Small Island States (AOSIS) underscored frustrations over perceived inequities in negotiation outcomes.

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## **COP29: LIMITED PROGRESS ON CLIMATE FINANCE AND CARBON MARKETS AMID GLOBAL TENSIONS**

COP 29 in Baku concluded after extended negotiations, achieving consensus on a new collective quantified goal (NCQG) for climate finance. Developed nations agreed to mobilize \$300 billion annually by 2035 to support developing countries, far below the \$1.3 trillion required to meet climate goals. This heavy reliance on loan-based financing and private capital has raised concerns about worsening debt burdens in the Global South. Experts noted that the lack of predictable and sufficient finance limits developing countries' ability to enhance their climate ambitions.

The NCQG, aimed at helping developing nations transition from fossil fuels and curb greenhouse gas emissions, was criticized for its inadequate quantum of finance, weak focus on grants, and a prolonged timeline of 10 years. Developing nations, whose adaptation needs alone are estimated at \$215–387 billion annually until 2030, expressed disappointment at the outcome, with some staging a dramatic walkout during the summit.

In his closing remarks, UN Secretary-General António Guterres highlighted the urgency of the climate crisis, calling for increased funds to aid nations "pummelled by disasters" and struggling in the renewable energy transition. The final NCQG draft emphasized the need for all actors to scale up financing to at least \$1.3 trillion annually by 2035 but stopped short of binding commitments.

COP29 also finalized standards for a centralized carbon market under the Paris Agreement, enabling country-to-country trading and operationalizing a carbon crediting mechanism after nearly a decade of negotiations. However, climate experts warned that the NCQG's modest target undermines efforts to keep global temperature rise within the 1.5°C limit, casting doubt on the adequacy of the current framework to address escalating climate challenges.

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## **INDIA'S BOLD STANCE AT COP29: ADVOCATING FOR EQUITY, FINANCE, AND A JUST ENERGY TRANSITION**

At COP29, India emerged as a key voice for the Global South, pushing for robust climate finance commitments and emphasizing the need for climate justice. The summit, held in Baku, Azerbaijan, saw intense negotiations on climate finance, emissions reduction targets, and the operationalization of global climate agreements. India's position at COP29 was centred around securing equitable financing for developing nations, ensuring that the historical responsibility for climate change is recognized, and addressing the need for a just transition to a green economy.

### **Climate Finance: A Critical Concern for India**

One of India's primary concerns at COP29 was the climate finance goal, which aimed to mobilize \$300 billion annually by 2035 for developing nations. This figure, agreed upon by developed countries, falls significantly short of the \$1.3 trillion that developing countries, including India, had demanded to meet their climate goals. The NCQG (New Collective Quantified Goal) on climate finance has been a point of contention, with India leading the charge in advocating for higher financial commitments.

India, as one of the most vulnerable countries to the impacts of climate change, argued that the \$300 billion target would not be sufficient to meet the adaptation and mitigation needs of developing nations. India's adaptation finance requirements alone are estimated to be in the range of \$215–387 billion annually until 2030, a stark contrast to the modest sums being discussed at COP29.

India's stance was clear: developed countries, who are primarily responsible for the majority of historical emissions, must take the lead in providing climate finance. This finance should be made available in the form of grants rather than loans, as the latter risks exacerbating the debt burdens of developing nations. India's position highlights the broader call for a shift away from the reliance on private capital and loan-based financing mechanisms, which are seen as inadequate and detrimental to the long-term financial stability of developing nations.

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## **Equitable Climate Action: A Demand for Global Justice**

India's approach to climate action at COP29 was grounded in the principles of equity and common but differentiated responsibilities (CBDR). As a rapidly developing nation, India emphasized that its historical contribution to global greenhouse gas emissions is relatively low compared to the industrialized nations. India called for a fair allocation of the global carbon budget, which takes into account the development needs of the Global South, rather than imposing stringent emissions reduction targets without corresponding financial and technological support.

In this context, India firmly opposed any attempt to set stringent mitigation goals without proper financing mechanisms in place. India's representatives stressed that developing countries cannot be expected to shoulder the burden of reducing emissions without adequate support for adaptation, technology transfer, and capacity building. The country's commitment to sustainable development and green growth remains strong, but it asserts that these efforts should not be undermined by financial constraints or the imposition of unfair climate targets.

## **Carbon Markets and India's Role in Shaping Future Strategies**

A significant breakthrough at COP29 was the finalization of rules for carbon markets under Article 6 of the Paris Agreement, allowing for international carbon trading and the operationalization of carbon crediting mechanisms. While India has shown support for the use of carbon markets as a tool for financing climate action, it also called for safeguards to ensure that these markets do not undermine the ambitions of developing countries.

India's participation in the carbon market negotiations was aimed at ensuring that carbon trading mechanisms do not disproportionately benefit wealthier countries or exacerbate existing inequalities. India has been a strong advocate for carbon markets that are transparent, robust, and designed to ensure that developing countries can access the financial resources generated through trading to fund their climate mitigation and adaptation efforts.

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## **The Need for a Just Transition: Addressing India's Energy and Development Challenges**

A crucial aspect of India's position at COP29 was its emphasis on the need for a just transition to a green economy. India, which is home to a significant portion of the world's poor, faces the dual challenge of promoting sustainable development while ensuring that its population, particularly the most vulnerable communities, are not left behind. The country's energy transition plans must balance its growing energy demands with the need to reduce emissions and shift to renewable energy.

India's call for a just transition emphasized that the benefits of renewable energy and climate action must be accessible to all segments of society, especially those who are dependent on traditional, carbon-intensive industries. India has made strides in expanding renewable energy capacity, but it continues to face significant challenges in scaling up renewable energy to meet its growing energy needs. Therefore, India's position at COP29 underscored the importance of financing mechanisms that support energy access for the poorest, while also enabling the scaling up of clean energy technologies.

### **India's Continued Leadership in Climate Diplomacy**

India's role at COP29 solidified its position as a leading advocate for climate justice, equity, and the needs of developing nations. India's proactive stance on climate finance, technology transfer, and fair climate action has placed it at the forefront of international climate diplomacy. As the country prepares to present its updated Nationally Determined Contributions (NDCs) in early 2025, India remains committed to advancing global efforts to limit global warming to 1.5°C, while ensuring that the needs of its population are met.

While the outcomes of COP29 were seen as insufficient by many developing nations, India's leadership was crucial in advocating for the rights and responsibilities of the Global South. With the next COP in Brazil and the upcoming stocktake in 2025, India's voice will continue to be an essential force in shaping the global response to climate change.

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## **Conclusion**

India's position at COP29 was a clarion call for greater financial commitments, equitable climate action, and a just transition to a sustainable future. The country's emphasis on the historical responsibility of developed nations, the need for a fair allocation of resources, and the promotion of climate justice resonated across the Global South. As COP29 concluded, India reaffirmed its commitment to sustainable development, climate resilience, and international cooperation, ensuring that the fight against climate change remains fair, inclusive, and just for all nations.

## SYNOPSIS OF RESEARCH PAPERS

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### THE ECONOMICS OF NET ZERO BANKING

Adair Morse and Parinitha R. Sastry

*NBER Working Paper No. 33148 November 2024,*  
National Bureau of Economic Research

Banks have voluntarily pledged to align their lending portfolios with a net-zero trajectory, supporting the transition to a decarbonized economy. This review examines the economic mechanisms through which portfolio decarbonization could align with the goal of maximizing lender profitability. The authors propose that net-zero lending can create differential value through two primary channels: risk and returns. The discussion of returns encompasses profit margins and the growth potential of lending portfolios. Using this framework, the authors review existing literature and identify gaps in research knowledge.

The paper highlights multiple ways in which risk considerations drive decarbonization. Additionally, it links green investment and decarbonization efforts to improved profitability through expanded lending activity. However, the authors note that the literature is still incomplete and that critical connections remain unexplored.

As climate risks become increasingly prominent in public discourse, banks are expected to play a pivotal role in financing investments that support the global shift toward decarbonization. The review explores why such financing might be profitable for banks and evaluates evidence for and against this premise. A simplified framework is introduced, identifying two key sources of value that distinguish low-carbon investments from carbon-intensive ones: (1) default risk, and (2) returns stemming from pricing or loan volume growth. Drawing from the broader banking literature, the authors investigate whether certain banks possess comparative advantages that position them to excel in this area relative to their peers or other financing sources.

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Throughout their analysis, the authors emphasize the significant opportunities for further research to deepen our understanding of how banks influence the transition to a net-zero economy. They suggest that future studies could bridge the gap between climate finance and banking literature to better elucidate the evolving role of banks in driving a low-carbon future.

*This is a summary of the paper.*

*The full paper is available at: <https://shorturl.at/wqYEF>*

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## DEMYSTIFYING THE CLIMATE BENEFIT OF EV TRANSITION IN INDIA

Shyamasis Das

*CSEP Working Paper 84, November 2024*

Centre for Social and Economic Research, New Delhi

The paper examines the potential of battery-driven electric vehicles (EVs) to decarbonize India's road transport sector, emphasizing that achieving meaningful emission reductions requires more than just widespread EV adoption. It delves into the interplay between EVs' energy performance and the country's predominantly fossil-fuel-powered grid, highlighting the importance of cross-sectoral linkages and data-driven insights for effective policy implementation.

While EVs are inherently more energy-efficient than internal combustion engine (ICE) vehicles, their climate benefits are contingent on the carbon intensity of grid electricity. Charging during high renewable energy (RE) availability can significantly lower emissions, but patterns such as nighttime charging—when coal-based power dominates—undermine these advantages. Regional variations in electricity mixes also lead to differing emissions impacts, underscoring the need for locally tailored EV strategies and renewable energy expansion.

The study critiques oversimplified assessments of EV emissions, pointing out flaws such as cherry-picking vehicle comparisons and neglecting the dynamic nature of India's grid. It emphasizes integrating real-world variables, such as temporal and

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geographic variations in RE supply and EV charging patterns, to better assess and enhance the climate impact of EV adoption.

Looking forward, India's transition to a low-carbon electricity grid, as envisioned in its National Electricity Plan, is vital for unlocking the full decarbonization potential of EVs. However, this requires addressing barriers like accelerating RE capacity, managing intermittency with energy storage solutions, and ensuring clean electricity availability for EV charging. Policies encouraging daytime charging, mandating energy-efficient EVs, and integrating EV infrastructure with distributed RE resources are critical steps.

The paper concludes with a call for coordinated efforts from policymakers, industry, and consumers to align EV deployment with greener energy practices. This holistic approach could help India realize the dual goals of reducing transportation emissions and advancing sustainable mobility.

*This is a summary of the paper.*

*The full paper is available at: <https://shorturl.at/PufOq>*

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## **EQUITABLE FOSSIL FUEL PHASEOUT: SCIENCE AND RESPONSIBILITY**

Tamanna Sengupta

Centre for Science and Environment, New Delhi

The first Global Stocktake (GST), concluded in December 2023, underscored the need for countries to transition away from fossil fuels in an equitable and just manner to achieve net-zero emissions by 2050. However, it fell short of specifying differentiated timelines where developed nations would take the lead, nor did it emphasize the urgency of financial support required for developing countries to facilitate this transition. This oversight dilutes the principle of equity and neglects the historical emissions of developed countries.

Addressing this gap, the paper presents a framework for analysing which nations bear responsibility and have the capacity to lead the fossil fuel phaseout. Historical data

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highlights that since 1900, the USA, EU-27, Russia, Japan, the UK, and Canada have contributed over 50% of cumulative CO<sub>2</sub> emissions, with China's share rising steeply to 15% due to its rapid industrialization. The economies of key emitters remain heavily reliant on coal, oil, and natural gas. Petrostates, such as Saudi Arabia and Qatar, face a complex transition due to their dependence on oil, despite their wealth.

The paper proposes a rules-based approach, rooted in equity and the principle of Common but Differentiated Responsibilities (CBDR), to design a roadmap for an equitable fossil fuel phaseout (EFFPO). This methodology assesses historical responsibility and a country's capacity to handle the economic and social impacts of a transition. Developed nations like the USA and Canada, with high capacity and minimal risk, must lead this effort immediately. Others, including Germany, Japan, and Russia, also have significant capacity but remain heavily reliant on fossil fuels. For petrostates, economic diversification is crucial due to their dependence on oil revenues. Least Developed Countries (LDCs), given their low development status and reliance on fossil fuel imports, are not identified as leaders in this transition.

*The full paper is available at:*

*<https://www.cseindia.org/equitable-fossil-fuel-phaseout-12490>*

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