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1. What the latest GDP estimates tell about the state of India's economy

Introduction

The Ministry of Statistics and Programme Implementation (MoSPI) released what are called the "First Advance Estimates" (FAEs) of India's GDP growth in the current financial year that will end in March (2024-25 or FY25). Advance Estimates are essentially a forecast of what MoSPI expects India's economic output to be by the time the financial year comes to a close. MoSPI arrives at these estimates by using the available data and past trends to extrapolate the year-end values. In doing so, it sources data from various ministries/departments and private agencies.

What's the GDP forecast?

The GDP is essentially the monetary measure of all the goods and services produced within India's borders in a year. It provides the size of the Indian economy.

According to MoSPI, India's nominal GDP is expected to be Rs 324 lakh crores by March-end. This is a growth of 9.7 percent over the last financial year (FY24).

The nominal GDP is what is used to arrive at the US dollar equivalent figure for the size of the Indian economy. At an exchange rate of 85 rupees to a dollar, India's GDP in FY25 will be \$3.8 trillion.

It is noteworthy that if India's exchange rate had not fallen from around 61 rupees to a dollar in 2014 then today India could have boasted of becoming a \$5 trillion economy (\$5.3 trillion to be exact).

Another noteworthy aspect is that this nominal GDP is lower than the budget estimates presented last February in the Interim Budget (Rs 328 lakh crore) as well as the full Union Budget presented in July (Rs 326 lakh crore).

However, in everyday use, it is the "real" GDP that matters.

The real GDP is derived by removing the effect of inflation from nominal GDP. The nominal GDP of a country can go up either because the country produces more goods and services or because the prices of existing goods and services have gone up (read inflation). More often than not, both these factors lead to an increase in GDP.

The real GDP tells the extent to which India produced more goods and services and it does so by removing the prices at which goods and services are pegged.

According to MoSPI, India's real GDP will be Rs 184.9 lakh crore in FY25 — that's just 57% of the nominal GDP; the remaining bit is the effect of prices going up.

Regardless of whether one looks at nominal GDP or real GDP, the data (see TABLE 1) shows that the rate of growth of India's economic output (GDP) is decelerating. This is not to say that the economic output is falling; only that the rate at which it is growing from one year to another is getting lower.

TABLE 1: Decelerating trajectory of India's GDP since 2014

Year	Nominal GDP (in Rs)	Nominal GDP Growth Rate (in %)	Real GDP (in Rs Lakh Crore)	Real GDP Growth Rate (in %)
2013-14	112.3		98	
2014-15	124.7	11	105.3	7.4
2015-16	137.7	10.5	113.7	8
2016-17	153.9	11.8	123.1	8.3
2017-18	170.9	11	131.4	6.8
2018-19	189	10.6	139.9	6.5
2019-20	201	6.4	145.3	3.9
2020-21	198.5	-1.2	136.9	-5.8
2021-22	236	18.9	150.2	9.7
2022-23	269.5	14.2	160.7	7
2023-24	295.4	9.6	173.8	8.2
2024-25	324.1	9.7	184.9	6.4
CAGR since 2014-15	10.1		5.9	
CAGR since 2019-20	9.4		4.8	

TABLE 1

Since FY20 (the year before Covid), India's real GDP has grown at a CAGR (compounded annual growth rate) of just 4.8%. This is in stark contrast to the almost 7% average annual growth rate that India had since the 1991 economic reforms (see CHART 1 sourced from a July 2020 report by McKinsey Global Institute).

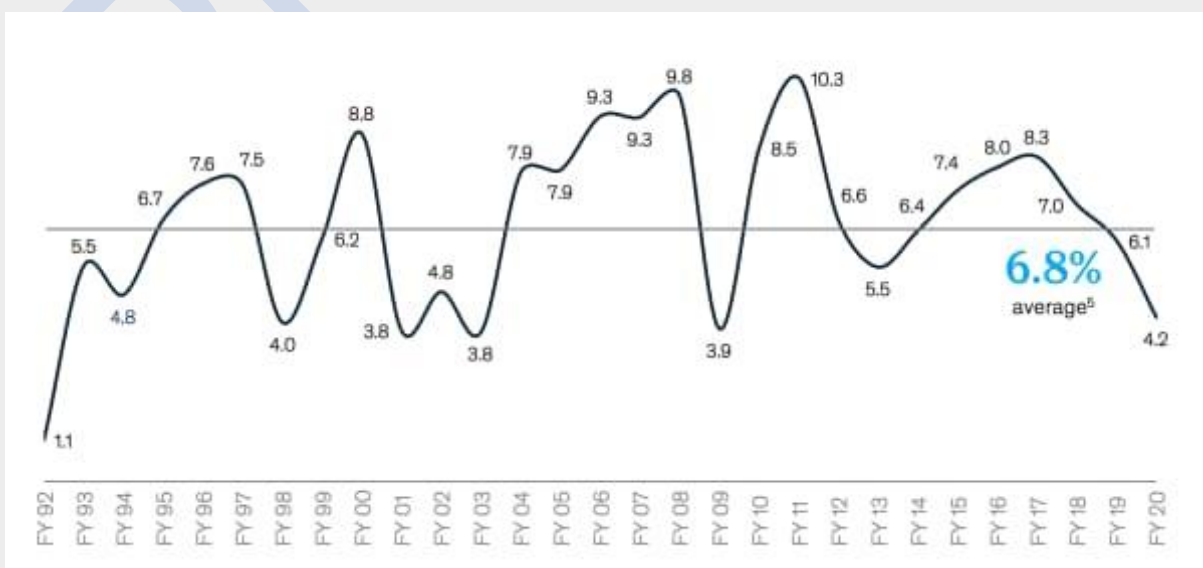


CHART 1. Source: A July 2020 report by McKinsey Global Institute

On the nominal GDP front, annual increases of less than 10 percent are in stark contrast to India's record in the recent past. Between 2003-04 and 2018-19, nominal GDP grew at an average rate of around 13.5 percent.

What's holding back India's GDP growth?

GDP is calculated by adding up all the money spent in the economy. To understand this one has to look at the four main categories in which all spending is categorised; these can be seen as the four engines of GDP growth in the economy.

1. Spending by people in their individual capacity: Technically this is called Private Final Consumption Expenditure (PFCE). It accounts for almost 60% of India's GDP.
2. Spending by governments to meet daily expenditures such as salaries: This is Government Final Consumption Expenditure (GFCE). It is the smallest engine, accounting for around 10% of GDP.
3. Spending towards boosting the productive capacity of the economy (also called investments in this context: This could be in the form of governments making roads, companies building factories or buying computers for their offices etc. This is called Gross Fixed Capital Formation (GFCF), and is the second-largest engine of growth that typically accounts for 30% of the GDP.
4. Net exports or net spending as a result of Indians spending on imports and foreigners spending on Indian exports: Since India typically imports more than it exports, this engine drags down India's overall GDP, and shows up with a minus sign.

TABLE 2 shows how each of these components have done in absolute and percentage terms.

table 2:

Year	PFCE (private spending) (in Rs Lakh Crore)	Growth rate in PFCE (in %)	GFCE (Govt spending) (in Rs Lakh Crore)	Growth Rate in govt spending	GFCF (spending for investments) (in Rs Lakh Crore)	Growth rate of investments	Net Exports (in Rs Lakh Crore)	Growth in Net Exports (in %)
2013-14	55.6		9.8		31.9		-1.8	
2014-15	59.1	6.4	10.5	7.6	32.8	2.6	-1.6	-11.8
2015-16	63.8	7.9	11.3	7.5	34.9	6.5	-1.4	-9.1
2016-17	69.0	8.1	12.0	6.1	37.9	8.5	-1.3	-5.7
2017-18	73.3	6.2	13.4	11.9	40.8	7.8	-4.8	257.6
2018-19	78.5	7.1	14.3	6.7	45.4	11.2	-4.4	-8.2
2019-20	82.6	5.2	14.9	3.9	45.9	1.1	-5.1	16.1
2020-21	78.2	-5.2	14.8	-0.9	42.6	-7.3	-2.8	-44.0
2021-22	87.3	11.6	14.8	0.1	50.1	17.7	-1.5	-47.0
2022-23	93.2	6.8	16.1	8.8	53.5	6.8	-0.7	-52.7
2023-24	96.9	4.0	16.5	2.5	58.3	9.0	-4.0	439.7
2024-25	104.0	7.3	17.2	4.2	62	6.3	-1.1	-72.7
CAGR since 2014-15		3.9		3.3		6.2		-4.4
CAGR since 2019-20		4.8		3.1		5.3		-20.6
Source: MoSPI, CMIE, Indian Express research								

PRIVATE CONSUMPTION DEMAND or PFCE: What Indians spend in their personal capacity is the most vital determinant of GDP growth. If this growth rate is low then it not only drags down overall GDP, it also dissuades private sector from investing in the economy. For the current year, this spending is expected to grow by 7.3% but the crucial number in the table is

the CAGR of just 4.8% since FY20. If the biggest engine of GDP growth itself is growing at less than 5% it is no surprise that overall GDP growth rate since the start of April 2019 has also been at 4.8%.

GOVERNMENT SPENDING: What distinguishes governments from every other player in the economy is the fact that governments can potentially spend in excess of their incomes; almost all governments do. When the rest of the economy is struggling, governments are expected to borrow money (and/or even print it) and spend it in the manner that re-energises the economy. However, notwithstanding how Covid disrupted the rest of the economy, the government's own spending has barely grown — just 4.2% in the current year and an average of 3.1% since the start of 2019.

SPENDING TOWARDS PRODUCTIVE CAPACITY: Typically such spending goes up either because private businesses find it profitable to expand capacity (in the hope of selling to the general public) or because governments boost capital expenditure (that is, spending towards physical infrastructure). In the current year, this spending is expected to rise by 6.3% but over a slightly longer period, it has gone up by just 5.3% annually. In fact, as the CAGR calculations show, growth of investments into the economy has been petering out since 2014. This is hardly surprising because unless private consumption rebounds, businesses will not invest in fresh capacity, regardless of tax incentives.

NET EXPORTS: When data for any particular year shows up with a negative sign, it suggests Indians are importing more than they are exporting. In most years, net exports is a negative number. As such, negative growth rates in this category are a good development. For the current year as well as in the recent past, this gap between exports and imports has reduced. Upshot: The latest GDP estimates provide a reality check for policymakers and citizens alike. On the face of it, India's economy has registered world-beating growth rates of GDP since after the Covid pandemic. But, as the data analysis above shows, a large part of India's recent high growth rates was a statistical illusion created by a low base of GDP, thanks, in turn, to a contraction of GDP in 2020-21.

When one considers a slightly longer period, say by including 2019-20 (the year just before Covid), it becomes clear that India's real economy is growing at less than 5% per annum — almost half that rate at which it should ideally grow if it wants to become a developed country by 2047.

Relevance: GS Prelims & Mains Paper III; Economics

Source: Indian Express

2. Amit Shah launches Bharatpol: how this portal aims to help probe transnational crimes

Introduction

Union Home Minister Amit Shah inaugurated the 'Bharatpol' portal recently, which aims to streamline international cooperation for law investigating agencies.

Bharatpol — broadcast hub for assistance and real-time action against transnational crimes via international police cooperation — was developed by the Central Bureau of Investigation

(CBI). It will allow central and state agencies to easily connect with the Interpol and speed up their investigations.

What is Bharatpol and why has the CBI developed it?



The CBI, as National Central Bureau for Interpol (NCB-New Delhi) in India, connects all law enforcement agencies in India to law enforcement agencies in 195 other countries through Interpol. Currently, all central agencies and the police forces of various states and Union Territories coordinate with the CBI, Interpol liaison officers (ILOs), and unit officers concerned through letters, emails, and faxes, due to which they

often face delays in their investigation. With Bharatpol, international police collaboration becomes more seamless.

The decision to develop this portal was taken amid the rise in transnational crimes, including cyber-crime, financial crimes, online radicalisation, organised crimes, drug trafficking, and human trafficking. In such cases, real-time international assistance is needed for criminal investigations.

What are the key features of Bharatpol portal?

There are five key features:

Unified Platform: This portal integrates the CBI as the Interpol (NCB-New Delhi) with all law enforcement authorities in India, down to Superintendents of Police (SPs) and Commissioners of Police (CPs).

Simplified Request Mechanism: This portal allows front-line police officers to easily and promptly request international assistance from 195 Interpol member countries using standardised templates.

Rapid Information Dissemination: This portal enables the CBI as the NCB to rapidly share criminal intelligence and inputs from 195 countries with all law enforcement agencies in India.

Increase utilisation of Interpol notices: This portal will enable easy drafting of Red Corner Notice requests and other colour coded notices of Interpol. This will lead to effective tracking of crime, criminals and proceeds of crime globally.

Capacity Building and Training: This portal also provides access to relevant documents, templates, and training resources, enhancing the capability of frontline officers to conduct investigations abroad and seek foreign assistance effectively through Interpol.

What did Home Minister Amit Shah say at the launch?

Speaking at Bharat Mandapam in New Delhi, Shah said it was time for Indian investigation agencies to use modern technology and techniques to nab fugitives. "We have to keep an eye on global challenges and update our internal systems. Bharatpol is a step in that direction...The new portal will allow central and state probe agencies to share and obtain information on their cases from the 195 member nations of the Interpol," he said.

What are the key modules of Bharatpol?

There are five key modules — Connect, INTERPOL Notices, References, Broadcast, and Resources.

"Through Connect, all our law enforcement agencies will essentially function as an extension of Interpol's NCB-New Delhi. The system will ensure quick, secure, and structured transmission of requests for Interpol Notices, enabling a scientific mechanism to swiftly locate criminals from India and across the globe, within India," Shah said.

Requests for assistance from the 195 member countries of INTERPOL will be available on the Broadcast module, while the Resources module will make it easy to exchange and manage documents and resources.

Relevance: GS Prelims; Governance

Source: Indian Express

3. Tibet earthquake leaves 95 dead: Why is the Himalayan zone seismically active?

Tibet Earthquake News

An earthquake measuring around 7 on the Richter scale hit Tibet on Tuesday (January 7), killing around 100 people and damaging about 1,000 houses. Its epicentre was about 75 kilometres northeast of Mount Everest and close to Nepal, but no major damage was reported there.

According to the United States Geological Survey, 10 earthquakes of at least magnitude 6 have occurred in the area over the past century. This frequency results from the unique movements of tectonic plates that make up the Earth's crust.

First, how do earthquakes happen?

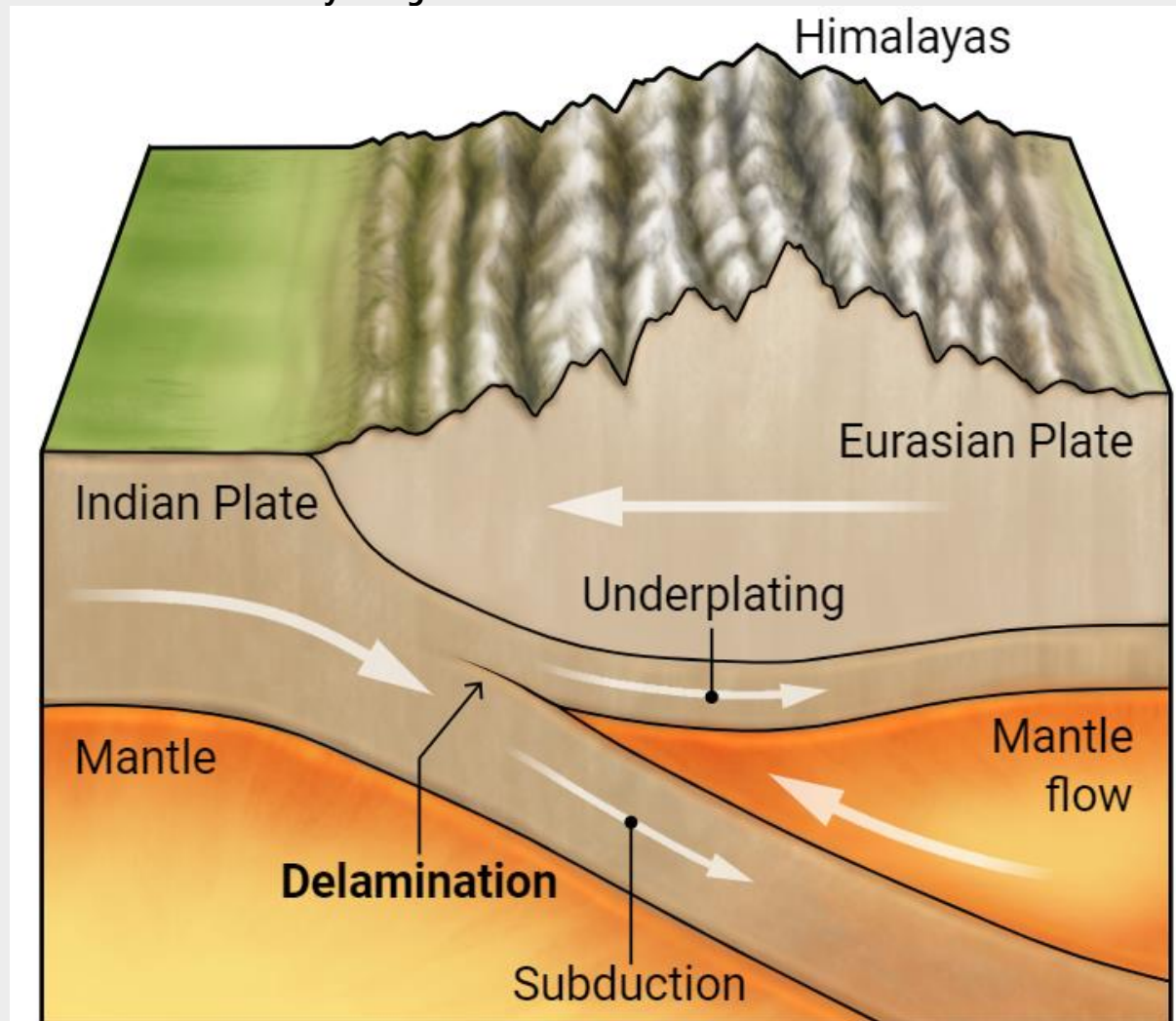
The entirety of Earth's outermost surface (the crust and the upper mantle) is composed of 15 major and minor plates. Earthquakes are a result of movement along faults, which are breaks in the tectonic plates.

The USGS website notes, "The tectonic plates are always slowly moving, but they get stuck at their edges due to friction. When the stress on the edge overcomes the friction, there is an earthquake that releases energy in waves that travel through the earth's crust and cause the shaking that we feel."

In 2023, for instance, a major earthquake in Turkey happened due to interactions between the African, Eurasian, and Arabian plates. The Arabian plate is known to be pushing northward, leading to a slight westward movement for the Anatolian plate, where Turkey is located.

Plates move because of the processes happening deep underneath the Earth's surface. For one, temperature and pressure rise as one goes deeper, resulting in convection currents of varying intensity circulating throughout the mantle.

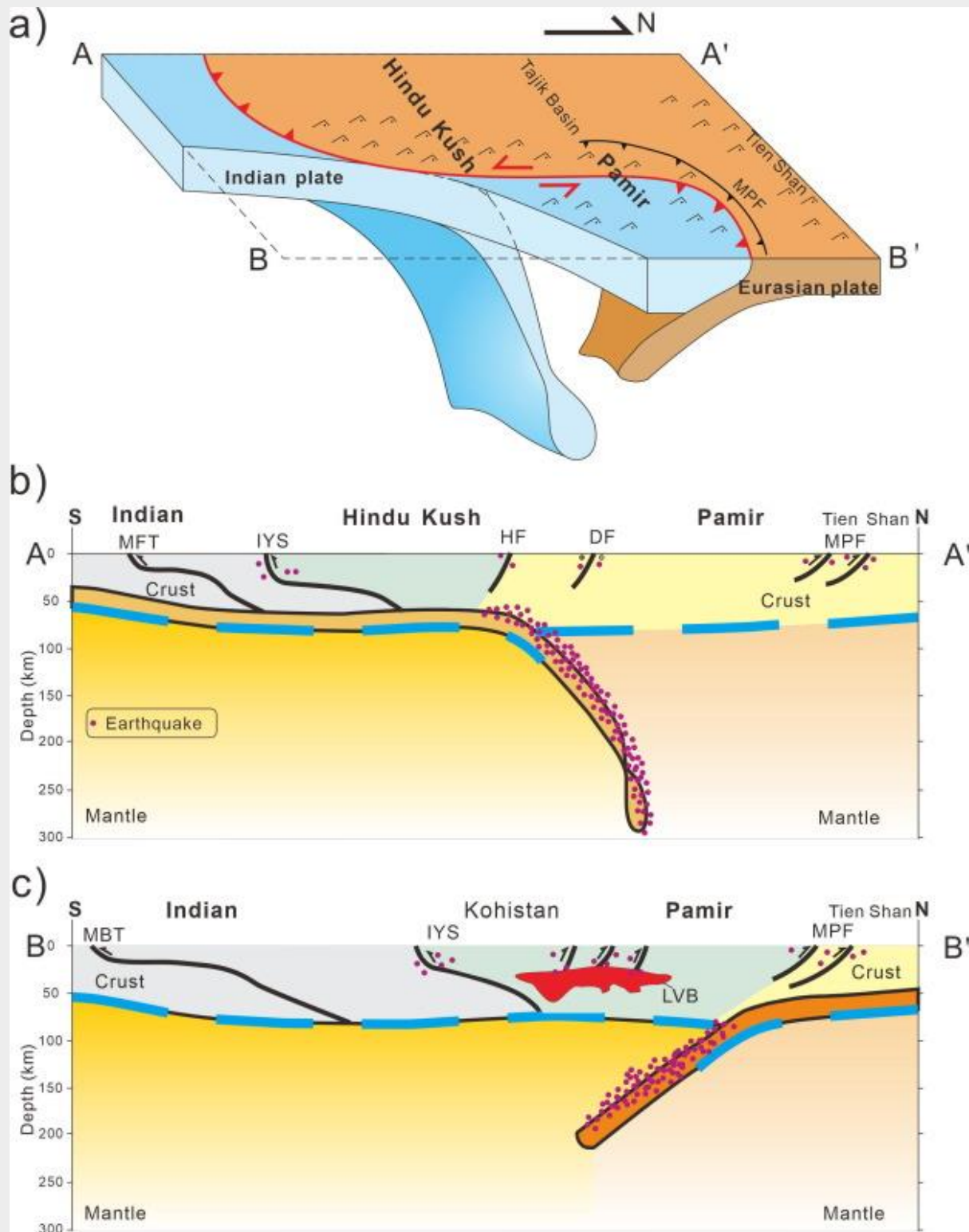
What about the Himalayan region?



The Himalayan mountain range began forming around 40 to 50 million years ago when the Eurasian and Indian plates first began pushing into each other. As both plates were of a similar density, their point of collision resulted in the uplifting of land.

Over time, the continued stretching of the Eurasian plate led to its subsidence, that is, it slipped underneath the Indian plate. This process continues today. According to the USGS, "Seismicity in the Himalaya dominantly results from the continental collision of the India and Eurasia plates, which are converging at a relative rate of 40-50 mm/yr."

At least five earthquakes of magnitude greater than 7 have struck the Hindu Kush region since 1950. This region has a peculiar tectonic formation. While the Indian plate is getting under the Himalayas, a phenomenon that is occurring all along the Himalayan range, the Eurasian plate is getting subducted under the Pamir mountains. In addition, there are several other faultlines. This is the convergence point for several seismic forces.



Threat of future earthquake

The western Himalayas are one of the most dangerous seismic zones in the world. Scientists have long said that the larger region spanning 2,500 km from the Hindu Kush to Arunachal Pradesh is due for a big quake, of magnitude over 8. A huge amount of energy is stored along the faultlines due to the continuous interaction of tectonic plates — which can be released only in the form of a massive quake.

A 2017 study ('Implications for elastic energy storage in the Himalaya from the Gorkha 2015 earthquake and other incomplete ruptures of the Main Himalayan Thrust') published in Quaternary International found that only two Himalayan earthquakes in the past 500 years have ruptured to the surface.

Its lead author Roger Bilham told National Geographic, "What that means is, there's a whole bunch of regions that I call 'reservoirs of elastic energy' that are sitting there waiting to go". Given the unpredictability of earthquakes, the potential damage from such an event could be significant.

Relevance: GS Prelims & Mains Paper III; Disaster Management

Source: Indian Express

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