

Economic Diplomacy Division Ministry of External Affairs

Weekly Newsletter
29th January to 4th February

Insights

Finance Minister Nirmala Sitharaman presented her sixth consecutive Budget in Parliament on February 1. As this is an election year, a comprehensive budget will be introduced in July following the establishment of the new government.

The interim budget primarily emphasised fiscal consolidation, focusing on various sectors, including infrastructure, railways, defence, green energy, tourism, agriculture, and electric vehicles (EV).

For FY25, the Fiscal Deficit target was 5.1% of the GDP, surpassing expectations. Simultaneously, the FY24 target was revised down to 5.8%. The capex target for FY25 saw an 11.1% increase, reaching INR 11.1 lakh crore.

Key sectors like infrastructure, healthcare, and renewable energy are anticipated to benefit from augmented budget allocations and supportive policies, offering attractive opportunities for growth-focused investments. Furthermore, the FMCG sector, stimulated by measures to boost consumer spending power, presents the potential for stable returns.

Sectors such as affordable housing, renewable energy, and solar panels are poised to gain momentum due to government initiatives. Despite the upcoming elections, the government's commitment to gradually elevate the capex target while maintaining the fiscal deficit at the projected 5.1% signifies a strategic approach to sustainable economic growth.

"Our vision for 'Viksit Bharat' is that of Prosperous Bharat in harmony with nature, with modern infrastructure, and providing opportunities for all citizens and all regions to reach their potential." - **FM Nirmala Sitharaman in her Interim Budget speech**

National

Key Budget 2024 proposals

The government's aim to reduce the fiscal deficit from 5.8% to 5.1% of GDP demonstrates both fiscal responsibility and a commitment to sustainable growth.

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Solar boost for 10 million families

Viability gap funding (VGF) is introduced for 1 GW of offshore wind energy, addressing the need to support economically unviable technologies in the sector.

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Highlights from Economic Review 2024

The Department of Economic Affairs released a report highlighting the government's achievements over the past decade two days prior to the interim budget.

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India stands for freedom of trade & commerce

Defence Minister Rajnath Singh said India stands for freedom of navigation, trade, and commerce and a rules-based world order.

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India's gold demand to rise in 2024

India's gold demand is expected to be subdued in the first quarter of 2024 due to lower jewellery sales, but annual demand is anticipated to rise.

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Bilateral

India-Indonesia eye pharma, transport infra & finTech to expand economic cooperation

Ambassador Ina Krisnamurthi of Indonesia emphasised that although the current trade and economic relations are strong, there is still plenty of room to reap the potential and opportunities.

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Afghanistan and India trade through Pakistan finally resumes

Official records point out that there has been an import of goods worth Rs 3,115.99 crore from Afghanistan via the Attari ICP during the financial year of 2023-24 (up to December 2024) as against imports of Rs 2210.79 crore in 2022-23.

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Opportunities for India-Australia economic and trade cooperation limitless: Experts

Both sides deserved credit for sealing the deal, supported by political guidance from the highest levels. The early upward trends are seen in levels of goods trade and a strong potential for greater services trade and business mobility.

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India-US annual trade has potential of doubling to more than \$500 billion: US Ambassador

India-US bilateral trade has the potential to increase to US\$ 500 billion annually from the current US\$ 200 billion, riding on direct investments, joint ventures, partnerships, educational exchanges and tourism.

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Multilateral

ASEAN delegation to visit India on 17 February for FTA review

The review will focus on the ASEAN Trade in Goods Agreement (ATIGA), which has been in place for over a decade and will likely include more goods and services under non-tariff barriers

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India seeks service inclusion, investment commitment from Switzerland in EFTA trade deal

India and EFTA have held negotiations on several chapters, including trade in goods & services, IPRs, investment promotion and cooperation, rules of origin, trade facilitation and sustainable development.

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ASEAN, South Korea, Japan FTAs increased India's goods trade deficit

The India FTA Outlook 2024 Report said that after the signing of the FTA, India's merchandise trade deficits grew by 302.9% with ASEAN, 164.1% with South Korea, and 138.2% with Japan.

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Negotiating BITs with trade partners to boost FDI: FM Sitharaman

Finance Minister Nirmala Sitharaman, during her Interim Budget speech, said that India is negotiating BITs with trade partners to boost the inflow of foreign direct investments (FDI).

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Editorial

Delhi-Paris tango offers a third way in diplomacy

As dependable allies, the India-France partnership is a force for global good in a volatile world engulfed in multiple crises. Only in a span of a few months, multiple meetings have transpired between the two leaders, and Modi's visit to Paris last July saw the launch of an ambitious Horizon 2047 Roadmap. The relationship has its fair share of roadmaps and institutionalised dialogues to guide its trajectory. What's critical for New Delhi and Paris going forward is to operationalise ambitions into tangible deliverables.

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