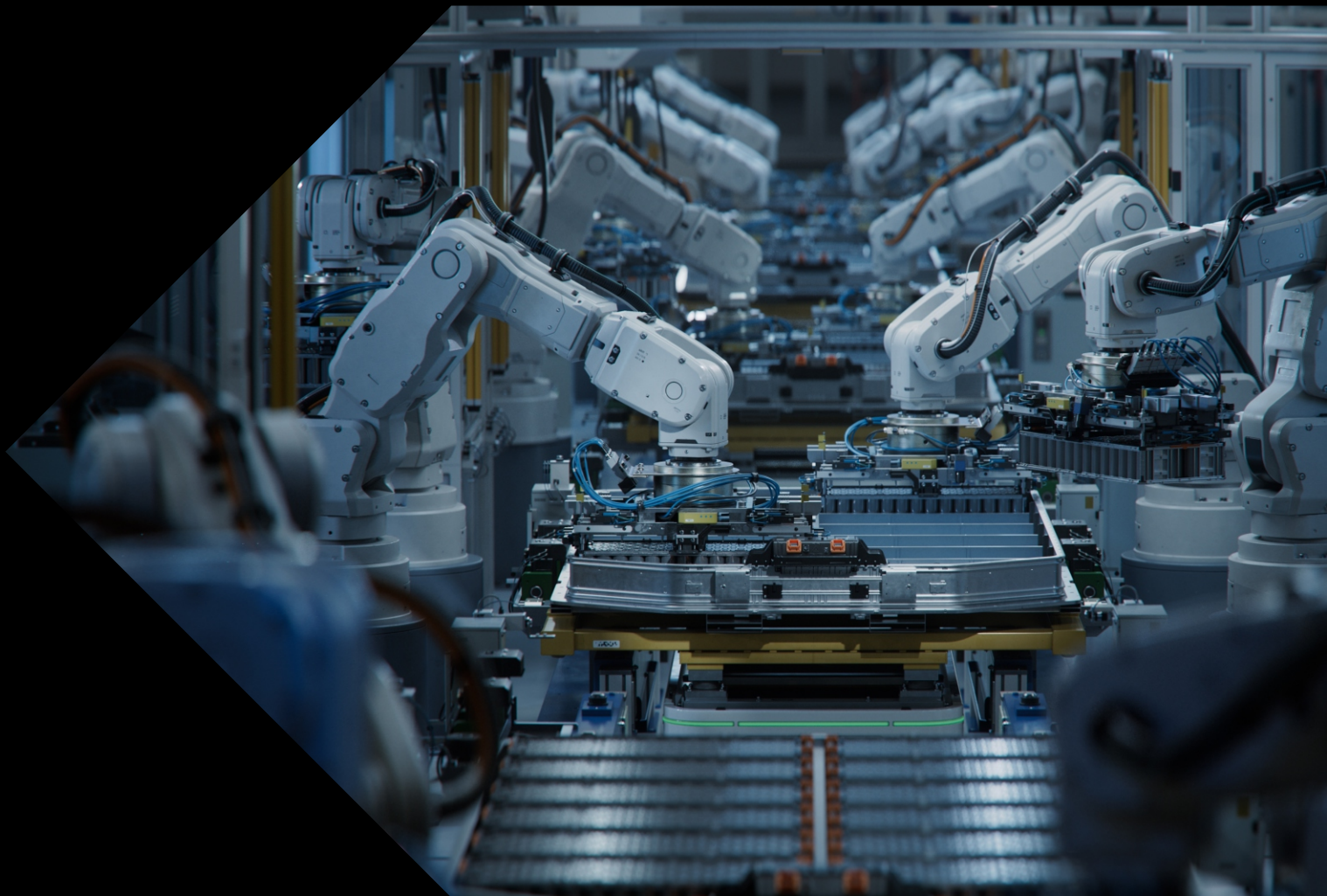


Manufacturing Sector – Driver of India's Growth Story





India celebrated its 78th Independence Day and we all know that it's the world's most populous nation, one of the fastest-growing economies, the third largest by GDP in terms of purchasing power parity and a touted beneficiary of "China Plus One" supply chain diversification.

The Indian economy has come a long way, taking many turns. India has embraced economic independence and worked towards economic self-reliance. India's GDP for the fourth quarter of FY24 surged by 8.2%, amounting to Rs 47.24 lakh crore, surpassing earlier estimates by the National Statistical Office (NSO) which projected a growth of 7.3%. As per the Economic Survey 2023-24, India's real GDP grew by 8.2% in FY2023-24 due to stable consumption and improving investment demand.

However, India's aspirations extend further. India is ambitiously targeting a \$7 trillion economy by 2030.

The manufacturing sector is a crucial pillar in India's growth story, acting as a catalyst for economic development, job creation and technological advancement. In June 2024, the Index of Industrial Production (IIP) indicated a year-on-year growth of 4.2%, with the manufacturing sector specifically growing by 2.6%. This growth is further supported by India's increasing focus on high-value manufacturing, including mobile phone production, which has seen substantial export growth.

Moreover, the government's initiatives, such as the Production-Linked Incentive (PLI) schemes, have been instrumental in boosting manufacturing output and attracting foreign investment. The manufacturing sector contributes around 17% to the GDP supported by robust physical and digital infrastructure which is expected to grow to 21% in the next 6-7 years.

Make in India Initiative

Launched in 2014, this initiative aims to transform India into a global manufacturing hub. It encourages both domestic and international companies to produce goods in India, focusing on sectors such as electronics, automotive, defense, and textiles.

Digital Manufacturing and Industry 4.0

The integration of digital technologies in manufacturing, known as Industry 4.0, is revolutionizing the sector. Indian manufacturers are increasingly adopting Internet of Things (IoT), Artificial Intelligence (AI), robotics and big data to enhance productivity, improve quality, and reduce costs.



Sustainability and Green Manufacturing

With growing concerns over climate change, Indian manufacturing is gradually shifting towards more sustainable practices. Green manufacturing emphasizes reducing waste, conserving energy, and using environmentally friendly materials and processes.

Skills Development and Workforce Readiness

The need for a skilled workforce is paramount for the manufacturing sector's growth. Programs like the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) are aimed at upskilling workers to meet the demands of modern manufacturing.

Infrastructure Development

Improved infrastructure is critical for manufacturing growth. Initiatives like the development of industrial corridors (e.g., Delhi-Mumbai Industrial Corridor) and dedicated freight corridors are enhancing connectivity, reducing logistics costs, and attracting investments.

Foreign Direct Investment (FDI)

The Indian government has liberalized FDI norms in key manufacturing sectors, making it easier for foreign companies to invest. This has led to an increase in joint ventures, technology transfers, and global best practices being adopted in India.

MSMEs and Local Manufacturing

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of Indian manufacturing. Supporting these enterprises through access to finance, technology, and markets is crucial for inclusive growth and employment generation.

Export Promotion and Global Supply Chains

Enhancing the competitiveness of Indian goods in global markets is a key focus area. Policies are being designed to boost exports, integrate with global supply chains, and reduce dependency on imports, especially in critical sectors like electronics and pharmaceuticals.

Public-Private Partnerships (PPPs)

Collaboration between the government and private sector is vital for accelerating manufacturing growth. PPPs are being used to develop infrastructure, set up manufacturing clusters, and foster innovation.

Policy Reforms and Ease of Doing Business

India has made significant strides in improving its ease of doing business, with reforms in taxation (like GST), labor laws, and regulatory frameworks. These changes are aimed at making India a more attractive destination for manufacturing investments.

India's manufacturing sector is experiencing a significant growth trajectory, solidifying its role in the country's economic expansion. As of the latest data, the sector has shown steady improvement, driven by robust performances in key industries such as electrical equipment, basic metals, and motor vehicles.

However, the sector faces challenges, particularly in the areas of skilled labor shortages and supply chain resilience. Addressing these issues through enhanced training programs and strategic collaborations with educational institutions could further strengthen the manufacturing base.

India's commitment to becoming a global manufacturing hub is underscored by its focus on technology-driven transformation, supply chain resilience and sustainability, making it a key player in the global manufacturing landscape over the coming years.

To conclude, India's growth story is multifaceted which is a positive indicator for the markets and boost our confidence to be a part of this growth cycle.

Source: Bloomberg, MOSPI, MOSL estimates as on July 2024 end or as latest available

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